

**Pacific Financial Inclusion Programme (PFIP)  
MPTF OFFICE GENERIC ANNUAL PROGRAMME<sup>1</sup> NARRATIVE PROGRESS REPORT  
REPORTING PERIOD: 1 JANUARY – 31 DECEMBER 2017**

<p align="center"><b>Programme Title &amp; Project Number</b></p> <ul style="list-style-type: none"> <li>Programme Title: Pacific Financial Inclusion Programme</li> <li>Programme Number <i>(if applicable)</i></li> <li>MPTF Office Project Reference Number: 00092020</li> </ul>	<p align="center"><b>Country, Locality(s), Priority Area(s) / Strategic Results<sup>2</sup></b></p> <p><i>(if applicable)</i> Country/Region</p> <p>Fiji, Papua New Guinea (PNG), Vanuatu, Tonga, Solomon Islands (SOI), Samoa</p> <p><i>Priority area/ strategic results</i> <i>Financial Inclusion: To reach 1,500,000 individuals with financial services by end of programme.</i></p>
<p align="center"><b>Participating Organization(s)</b></p> <ul style="list-style-type: none"> <li>Organizations that have received direct funding from the MPTF Office under this programme</li> <li>UNCDF</li> <li>UNDP</li> </ul>	<p align="center"><b>Implementing Partners</b></p> <ul style="list-style-type: none"> <li>National counterparts (government, private, NGOs &amp; others) and other International Organizations</li> </ul> <p>Regional financial service providers, Central Banks and/or Government Agencies in Fiji, SOI, PNG, Samoa, Vanuatu, and Tonga.</p>
<p align="center"><b>Programme/Project Cost (US\$)</b></p> <p>Total approved budget as per project document: <b>MPTF /JP Contribution<sup>3</sup>:</b> US\$14,800,567 By Agency: UNDP: US\$ 4,284,042 UNCDF: US\$ 10,516,525</p> <p>Other contributions (donors) Australia US\$3,665,889 New Zealand US\$3,624,597 Total: US\$ 7,290,486</p>	<p align="center"><b>Programme Duration</b></p> <p>Overall Duration (<i>months</i>) 72 months</p> <p>Start Date<sup>4</sup> (<i>dd.mm.yyyy</i>) 01/07/2014</p>

<sup>1</sup> The term “programme” is used for programmes, joint programmes and projects.

<sup>2</sup> Strategic Results, as formulated in the Strategic UN Planning Framework (e.g. UNDAF) or project document;

<sup>3</sup> The MPTF or JP Contribution, refers to the amount transferred to the Participating UN Organizations, which is available on the [MPTF Office GATEWAY](#)

Government Contribution: n/a
Other Contributions (donors) n/a
<b>TOTAL:</b>
<b>Programme Assessment/Review/Mid-Term Eval.</b>
Assessment/Review - if applicable <i>please attach</i> Yes      x No      Date: <i>dd.mm.yyyy</i>
Mid-Term Evaluation Report – <i>if applicable</i> <i>please attach</i> x Yes      No      Date: <i>01.02.2017 (attached last year)</i>

Original End Date <sup>5</sup> ( <i>dd.mm.yyyy</i> ) 30/06/2018
Current End date <sup>6</sup> ( <i>dd.mm.yyyy</i> ) 30/06/2020
<b>Report Submitted By</b>
<ul style="list-style-type: none"> <li><input type="radio"/> Name: Liz Larson</li> <li><input type="radio"/> Title: Results Measurement Advisor</li> <li><input type="radio"/> Participating Organization (Lead): UNCDF</li> <li><input type="radio"/> Email address: <a href="mailto:Elizabeth.larson@uncdf.org">Elizabeth.larson@uncdf.org</a></li> </ul>

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<sup>4</sup> The start date is the date of the first transfer of the funds from the MPTF Office as Administrative Agent. Transfer date is available on the [MPTF Office GATEWAY](#)

<sup>5</sup> As per approval of the original project document by the relevant decision-making body/Steering Committee.

<sup>6</sup> If there has been an extension, then the revised, approved end date should be reflected here. If there has been no extension approved, then the current end date is the same as the original end date. The end date is the same as the operational closure date which is when all activities for which a Participating Organization is responsible under an approved MPTF / JP have been completed. As per the MOU, agencies are to notify the MPTF Office when a programme completes its operational activities.

## NARRATIVE REPORT FORMAT

### **LIST OF ABBREVIATIONS**

AFI	Alliance for Financial Inclusion
BB	Branchless Banking
BIMA	BIMA Mobile Microinsurance, not an acronym
BTCA	Better Than Cash Alliance
CCA	Consumer Credit Act
CSR	Corporate Social Responsibility
CBSI	Central Bank of Solomon Islands
DFAT	Australian Government's Department of Foreign Affairs and Trade
DFS	Digital Financial Services
DSS	Demand Side Survey
EU	European Union
FEMM	Forum Economic Ministers Meeting
FinEd	Financial Education
FIS	Financial Inclusion Specialist
FSP	Financial Service Providers
G2P	Government to person payments
HR	Human Resources
IRD	Solomon Islands Inland and Revenue Department
KM	Knowledge Management
M & E	Monitoring & Evaluation
MFAT	New Zealand Government's Ministry of Foreign Affairs and Trade
MITT	Fijian Ministry of Industry, Trade and Tourism
MM	Mobile Money
MoE	Ministry of Education
NFIS	National Financial Inclusion Strategy
NFIT	National Financial Inclusion Task Force
PFIP	Pacific Financial Inclusion Programme
PIC	Pacific Island Countries
PNG	Papua New Guinea
RBF	Reserve Bank of Fiji
RED II	EU Rural Economic Development Programme Phase II
RIA	Regulatory Impact Assessment
SAM	Samoa
SINPF	Solomon Islands National Provident Fund
SOI	Solomon Islands
SPBD	South Pacific Business Development
TON	Tonga
TVETC	Technical and Vocational Education and Training Centre
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
USD	United States Dollar
VN	Vanuatu

This Consolidated Annual Progress Report under the Pacific Financial Inclusion Programme (PFIP) covers the period from 1 January to 31 December 2017. This report is in fulfilment of the reporting requirements

set out in the Standard Administrative Arrangement (SAA) concluded with the Donor. In line with the Memorandum of Understanding (MOU) signed by Participating UN Organizations, the Annual Progress Report is consolidated based on information, data and financial statements submitted by Participating Organizations. It is neither an evaluation of the Joint Programme nor an assessment of the performance of the Participating Organizations. The report provides the Steering Committee with a comprehensive overview of achievements and challenges associated with the Joint Programme, enabling it to make strategic decisions and take corrective measures, where applicable.

## **EXECUTIVE SUMMARY**

The Pacific Financial Inclusion Programme (PFIP) is a joint programme of the United Nations Capital Development Fund (UNCDF) and United Nations Development Programme (UNDP). PFIP receives funding support from the Australian Government, the European Union (EU), and the New Zealand Government. PFIP's goal is to increase the number of low-income customers in the South Pacific who adopt formal financial services. PFIP supports the development of entire financial ecosystems, from the customer level to the policy space, leading to the achievement of this objective. PFIP's primary mode of operation is working directly with financial service providers (FSPs) to develop innovative products and channels to foster the inclusion of those Pacific Islanders who are currently un- or underserved by the formal financial system. PFIP also works at the policy level to facilitate in-country decision making bodies and written strategies to bring about a favorable environment for financial inclusion, including five countries which have government-sanctioned National Financial Inclusion Strategies.

Since 2008, PFIP 1 and 2 has brought formal financial services to over 1.8 million mass market customers in the Pacific. By the end of Year 3 (June 2017) of Phase 2 PFIP had surpassed most of the original targets for the five-year programme. Therefore, in the Year 4 Annual Work Plan (July 2017-June 2018), the Investment Committee (IC) approved an updated Results Management Framework with increased targets.

As of Dec 31, 2017 PFIP 2 had enrolled 1,174,737 people in formal financial services through 23 projects since June 2014. In 2017 alone, PFIP added 356,423 enrolments, a year-on-year increase of 44%. 45% percent of the current number of enrolments are women and 50% are active within 90 days. PFIP aims to create three sustainable business models by the End of Programme (EOP), but given the early phase of most of the current projects, this target is not expected to be achieved until toward EOP. The five Financial Inclusion Task Forces (NFITs), and two countries with FinEd curriculum remain constant over the last year.

### **I. Purpose**

As mentioned, the overall objective of PFIP is to increase the number of low-income customers who adopt formal financial services. PFIP does this by providing performance-based grants to FSPs, conducting market research and providing technical assistance to policy makers and FSPs. The primary countries of focus of PFIP are Fiji, PNG, Samoa, Solomon Islands, Tonga and Vanuatu. PFIP is jointly administered by UNCDF and UNDP and governed by an Investment Committee comprised of donors, UN and local representatives.

The first phase of PFIP ended in June 2014. PFIP 1 surpassed the programme objective, reaching 687,620 underserved clients and engaging policy makers across the region in a campaign to formalise financial inclusion policy. PFIP has embarked on its second phase from July 2014 to 2020 with the goal to deepen financial access to an additional 1,500,000 previously underserved, low-income people in the region. As of December 2017, PFIP 2 initiatives have already reached over 1.1 million clients cumulatively. PFIP has three principal work streams: Regulation & Policy, Financial Innovation, and Consumer Empowerment.

## II. Results

### i) Narrative

#### a. Fiji

FIJI FY 2017-2018 Work plan status by Work stream - Highlights			
	Work plan Item	Status	Result
Workstream 1: Financial Innovation	Innovation Labs		Vodafone Fiji and FijiCare Insurance Innovation lab running strong; HFC Bank now back on track, FNPF project delayed.
Workstream 2: Policy	Ongoing support for NFIS 2		PFIP involved in NFIT, WG and providing TA on DFS.
	On-demand TA		TA provided to the Inclusive Insurance Working Group.
	G2P intervention		Mapping project underway with Ministry of Economy.
Workstream 3: Consumer Empowerment	Partner scholarships		One FNPF staff sent to Boulder Microfinance Training.
	FinEd Pilot: Subnational partners		Letter of exchange signed with USP.
	Events, training and knowledge products		CCA project completed; one RJS scholarship awarded.
	FinEd Handover: MoE		Project has been completely handed over to Ministry of Education (MoE).

As shown in the table above, Fiji's work plan is largely on track, with some known gaps in preexisting projects from last year. Fiji is home to a few large and strategic programmatic wins over the period. First, PFIP's current flagship Innovation Lab - M-PAiSA with Vodafone - is progressing at a robust pace. Second, the culmination of over five years of work was completed with the handover of the FinEd Fiji Programme to the Ministry of Education (MoE) in August. Finally, PFIP also made great strides in the engagement with the insurance sector with the launch of the FijiCare Bundled Microinsurance product across the sugarcane sector.

Despite these strategic wins, some areas of programming still face some challenges that relate to delays in key projects. However, many longstanding delays have turned the corner over the period, with patience and dedication to the partnerships on all sides. HFC Bank is now starting to progress, and we expect data to begin flowing in Q1 2018. FNPF's delays were caused by an internal management restructuring. Early efforts to reestablish management buy-in to continue the project have been successful and PFIP expects this project to pick up progress over the next two quarters.

#### B. PNG

## PNG FY 2017-2018 Workplan status by Workstream - Highlight

	Workplan Item	Status	Results
Workstream 1: Financial Innovation	Innovation Labs	●	Westpac Innovation Hub and MiBank Solar PAYG project showing results, but behind schedule. BIMA continues ahead of schedule. PAD submitted to IC for WMBL. Strong pipeline for future work developed.
Workstream 2: Policy	Ongoing support for NFIS 2	●	PFIP is an active member of all working groups, which meet on a regular basis.
	Setting up MicroBank Supervision Unit	●	BPNG has given initial agreement, and work will progress as planned in 2018.
	G2P/P2G	●	BTCA inaugural visit conducted with relevant parties in PNG, resulting in relationship building and work plan for next steps in 2018.
Workstream 3: Consumer Empowerment	FinEd	●	High level learning modules, definition and integration methodology identified and agreed with Kamaliki Institute. Two rounds of teacher familiarisation completed. Classroom teaching and learning pilot to commence in 2018.
	Financial Literacy materials	●	Initial conversations on component 3 of RED 2 <sup>7</sup> on Financial Education initiatives with farmers.
	Scholarships	●	No suitable PNG candidate was selected in PNG this year.
	Consumer Protection	●	Initial discussion held with BPNG to provide technical support

PNG is both PFIP's most challenging programmatic environment and the geographic area with the highest potential for large-scale, sustainable projects. The achievement against planned activities reflects this complexity. Where projects are not on track, progress is still being made and lessons learned are being incorporated. Perhaps the most notable achievement over the period was the development of a robust pipeline, including Women's Microbank, Kina Bank, NASFUND, Coffee Industry Corporation Limited (CIC) and others. Additionally, a Savings Planner to supplement classroom learning has been distributed to the FinEd Piloted Technical Vocational (TVET) schools. Of the existing grants, the Westpac Innovation Hub has experienced significant delays due to management changes with our partner. PFIP management is in discussions with Westpac's new management team to reinvigorate their commitment for the project. The MiBank solar PAYG project has also been affected by the lack of support from their supplier of solar kits, Empawa. As the BIMA project winds up, all targets were achieved and PFIP will conduct a final review whilst scoping for potential future work. PFIP made significant headway on the FinEd agenda over the period, moving forward with Kamaliki Technical Vocational Education Training Institute and have initiated scouting for more institutions to replicate the model.

As always, challenges arise. Over the last two quarters, PNG held elections, which slowed and then basically stopped all activities. As is the case in all PICs, lack of the right partner as well as management

<sup>7</sup> PFIP is responsible for Component II of the RED2 Programme, where NARI and SOFERACO are responsible for Component-3 of the same project involving capacity building and market linkages in value chains. PFIP has proposed to include FE in trainings for farmers by SOFERACO to be delivered through Farmer Resource Centers (FRCs) when they are set-up by NARI

changes also poses ever-present and ongoing challenges. Given PNG's vast programmatic scope, the in-country team is also stretched to fully engage in every activity or appropriately develop every programming idea or partnership.

### C. Solomon Islands

SOI FY 2017-2018 Work plan status by Work stream - Highlights			
	Work plan Item	Status	Result
Workstream 1: Financial Innovation	Innovation Labs	●	All SOI Innovation Labs are on track. Pipeline discussions underway.
Workstream 2: Policy	Ongoing work with CBSI	●	All NFITs and working groups regularly meeting and monitoring progress against targets. Mid-term review of NFIS to be undertaken in early 2018 by PFIP TA.
	Supply side data project	canceled	CBSI is doing this on their own.
	G2P IRD	●	Project launched, phase I activities complete.
	TA	●	Monitoring stamp duty issue, insurance regulations. BTCA stakeholder workshop held.
Workstream 3: Consumer Empowerment	FinEd pilot	●	MOU signed with Anglican Church of Melanesia. Consulting firm selected and scoping completed.
	Partner support for capacity building	●	Peer Learning trip to Rwanda by senior Ministry of Finance officials.
	Consumer protection	●	Planned for 2018.

As shown in the table above, Solomon Islands' workstreams are largely on track. After the addition of a new in-country manager in Q2 2017, the SOI programme picked up speed as the Innovation Labs and G2P initiatives began to mature and new capacity building activities were spearheaded. Two strategic initiatives, with the Internal Revenue Department (IRD) and the Anglican Church of Melanesia (ACoM), made real progress over the period, after spending considerable time completing ground work. The ANZ Coconut Value Chain Innovation Lab is meeting its targets and the Solomon Islands National Provident Fund (SINPF) informal sector pilot has surpassed expectations, both on number of customers enrolled as well as the amount of savings mobilised. CBSI continues to actively follow through with planned activities, including active NFITs and working groups.

Over the reporting period, there have also been a variety of setbacks. Most notably, given the political churning, there have been three Finance Ministers in the last two months of 2017. This affected PFIP's work, especially on the policy side through the letter of stamp duty exemption for microinsurance. The number of players in the country, combined with the dominant attitude that financial inclusion is CSR, continues to dictate a slower pace of progress, as has generally been the case in the SOI.

### E. Regional

## Regional FY 2017-2018 Workplan status by Workstream - Highlights

	Workplan Item	Status	Result
<b>Workstream 1: Financial Innovation</b>	Innovation Lab	●	Digital financial services Innovation Lab with National Bank of Samoa aimed for banking inward remittance flows and improving the state of financial inclusion.
	Inclusive Insurance Innovation Lab	●	The PFIP Insurance Innovation Lab is now in operation.
<b>Workstream 2: Policy</b>	Support for regional summit	●	Regional Financial Inclusion Innovation summit held in Port Moresby, PNG in August and attended by over 250 participants.
	Support for PIRI	●	Limited to participation in Bi-Annual meetings.
	Inclusive Insurance regulatory work	●	Analysed the data on Insurance market survey and facilitated an industry information session, attended by 13 industry leaders in Sept.
	Ongoing support for CBS and NFIT (Samoa)	●	Attended NFIS meetings; created reporting dashboard.
	Support for G2P	●	G2P Stakeholders <u>workshop held in Vanuatu</u> in July and <u>Samoa in October</u> . Both workshops resulted in the development of concrete next steps for each country.
	Support in developing NFIS (other countries)	●	Vanuatu draft NFIS completed. To be launched in Q1 2018. Draft NFIS for Tonga under development by NRBT with PFIP support.
<b>Workstream 3: Consumer</b>	Financial Literacy imbedding in youth employment and seasonal workers scheme	●	Preliminary conversations held, but search for suitable partners has not yielded results.

Like Solomon Islands and Fiji, the Samoa/regional work plan is also largely on track against planned progress. Over the period there has been substantial progress made in the Innovation workstream – largely for the first time – and as the result of a long, patient incubation period. Most notably, PFIP devised a strategy in conjunction with a local commercial bank and Digicel for entry into the DFS market. This yielded a new and promising partnership with National Bank of Samoa (NBS).

Over the period, PFIP remained engaged in the policy arena supporting an inclusive insurance market survey and co-facilitating a market information session. PFIP also worked with the Central Bank to conduct a G2P payments workshop with several government and private sector stakeholders. PFIP continues to provide policy advice on matters related to digital finance, agency operations and financial literacy. In addition, PFIP supported the National Financial Inclusion Taskforce in facilitating partnership, sharing knowledge, and improving data analytics capabilities.

The challenges over the period mostly relate to the ongoing problem of a lack of willing and committed partners in-country. PFIP’s project ideas do not have the institutional partners necessary to turn them into projects on the ground. The consumer base is also not vibrant enough to create strong market potential: the size is small and the confidence is low, complemented by a sub-par infrastructure.

## **Challenges:**

The major challenge PFIP faced (and continues to face) in 2017 is the lack of programme funds. A combination of factors has reduced the planned \$32 million resource envelope to the \$23 million in hand. As a result, PFIP will close the last fiscal year with approximately \$4.0 million for the remainder of the PFIP programme. At current activity rates, that will provision a 2018-2019 workplan with limited funding for projects. PFIP has a robust project pipeline and is well positioned to support financial inclusion initiatives through 2019 if additional resources are forthcoming, an additional \$10.8 million is needed to fund a programme equivalent through to the end of PFIP 2. Failing this, PFIP will be forced into a ‘caretaker’ mode from 2018-2019, limiting the potential for the take-off of digital and other innovative financial services in the region.

## **Lessons learned and Best Practices:**

PFIP is continually learning and refining its approach to deliver the best results. A number of key lessons learned are detailed below:

- **Proof of concept is important:** In the Pacific, most FSPs are slow to be convinced that rural or low-income segment expansion is worthwhile. For example, ANZ had been in a status quo mode with their agent network (through PGCL) for years. It was only through PFIP’s assistance creating 3 model agents when ANZ perceptions about what services were possible where shifted. Mindset also shifted after the first school fee transaction was made; previously this had not been viewed as a serious endeavor. This changed tangibly after the first payment was made through the service.
- **Improvements needed in project governance:** As PFIP grows under the Innovation Lab approach and even more complex relationships and programs need to be managed through a changing PFIP leadership, understanding how best to keep in touch with each project stakeholder can be challenging. Many of PFIP’s projects consist of several “mini projects”, consultants, or targeted scoping and further work may be needed to tighten oversight. Sometimes, a clear delineation of responsibilities or point of contact is not apparent or assigned. Especially in large and complex projects with a myriad of moving parts and deliverables, management must be tighter. With tightened processes and procedures, and more deeply articulated and specific roles, PFIP could make the management and oversight of each individual project better.
- **Time to rethink capacity building:** While PFIP has always had an interest in capacity building, it was never a strong enough component of the programme to be considered a separate workstream. PFIP took advantage of opportunities if, when and where a need was felt. While this has been useful, PFIP has begun experimenting with a deeper focus on capacity building under some circumstances for both individuals and institutions. For example, PFIP in partnership with BTCA, arranged several high level cross visits for Fiji and SOI Ministries of Economy and Finance respectively to their counterpart in Rwanda. Additionally, capacity building support can be a good first step to open doors and build relationships with institutions that have been hard to convince to partner with PFIP.
- **Small wins are possible in shifting the “CSR” attitude:** As is true in most PICs, financial institutions often view engagement with low-income customers as CSR and not an actual path to commercially viable products or channels. However, when this view is challenged, with evidence and enthusiasm attitudes can shift – albeit slightly. For example, PFIP brought in MicroSave to SOI where they created three “model agents”. Upon seeing the Agent in a different light, through this exercise, ANZ appeared to change gears. A similar boost in enthusiasm was observed when the school fees product was launched. Sometimes these incumbent institutions with very conservative business approaches need a nudge to think outside of their traditional boxes. PFIP can provide these little nudges through demonstration.
- **Long incubation needed for certain projects:** Many PFIP projects, especially those involving government – such as G2P/P2G and the development of National Financial Inclusion Strategies,

require significant amounts of incubation time, awareness and wide consultation. Government bureaucracy is slow moving compared with the private sector and expectations for change may be relatively long – potentially after PFIP 2 ends. Given the various outside circumstances that by necessity affect all governments, it may not be possible to change these timelines. A closing date for new dialogue on G2P should be confirmed in 2018, given PFIP’s 2020 ending date.

- **Documentation takes longer than expected:** Often the development of PADs, as well as the creation of financing agreements take longer than anticipated. Back and forth discussions with the involved partners on a complex PAD can take a lot of time, especially with partners who may have low capacity, competing priorities or both. These projects are also more likely to generate questions from the IC, which may necessitate another round with the partner.
- **Partners rise to the occasion:** PFIP, while struggling with low capacity partners on occasions, also witnesses many partnerships which rise to the occasion. A notable example of this is our partnership with Kamaliki TVET. While sometimes difficult to find high-capacity partners in the PNG context, Kamaliki has shown deep enthusiasm for the PFIP partnership, completing work planned activities with excitement. Gem partnerships like this provide energy and dedication required to successfully implement, especially in remote areas like the Highlands.

**Qualitative Assessment:**

The overall, high level achievements were discussed in the opening paragraphs of this report. PFIP is, as the mid-term evaluation confirmed, on the right track. This section will outline the key partnerships upon which PFIP relies, as well as the pertinent cross-cutting themes relating to PFIP results. A table outlining PFIP partnerships is as follows:

<b>Partner</b>	<b>Key strategies adopted for success</b>
Central Banks	Our connection with all the central banks in the region is strong, largely due to the history and good will experienced between PFIP and the banks. Over the years, through tailoring technical assistance and grant making to each country’s unique situation, the Central Banks have grown to see PFIP as a peer and partner. The banks have been ripe for PFIP’s ideas, and have a genuine desire to improve the state of access to financial service in their countries. Thus, the significant overlap in desired outcomes has also helped strengthen this relationship. PFIP has been a guide and mentor in establishing the NFIS and the NFITs on which they stand, as well as putting financial inclusion on the table as a policy priority.
Vodafone	While many of PFIP’s FSP or IL partners institutions are successful, the relationship with Vodafone has been particularly fruitful this year. The success of this partnership is a combination of several things. First, PFIP’s formidable reputation in the sector and strong presence in the NFIT and associated working groups as well as other meetings over the years have allowed PFIP to foster a close relationship with senior leadership. Second, this innovation lab has a particularly strong and “switched on” manager imbedded within Vodafone, Achin Bansal. Third, given the existence and low performance of M-PAisa for many years, in combination with the introduction of the e-transport system, the time was right for an effort to boost usage of the product.

FijiCare	This partnership was especially fruitful this year with the launch of the bundled insurance product. The success in this partnership can partly be attributed to a long friendship and ongoing dialog within the Inclusive Insurance Working Group, which both PFIP and FijiCare are members. In addition, insurance is the only thematic area which has a dedicated technical staff with extensive experience in the insurance industry. This lends itself to a level of expertise which brings conversation quickly to an advanced level, further bolstering PFIP standing as a respected technical partner.
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**Crosscutting Theme: Measuring Impact:** As a response to the growing global dialog regarding the impact of financial services on the lives of low-income people, PFIP took the step of conceptualising a new way of looking at impact. Partnering with Bankable Frontiers Associates (BFA), PFIP outlined an Impact Pathways measurement system which is a radically novel approach to understanding the impact of financial services. Typically, measurement systems focus on access and usage of financial products and services but there is a growing need for a more nuanced view, and a growing belief that financial services produces numerous and complicated impacts on people’s lives. PFIP is creating a system in which partner institutions’ transactional data is analysed thereby giving a robust picture to the types of use cases in which customers fall. Those use cases are then confirmed and clarified through a customer survey, and tied with development impacts through those customer insights, existing research and academic literature.

**Cross-cutting Theme: Handover to appropriate local partners:** Enhancing livelihood opportunities and reducing poverty requires financial literacy to empower people to make informed decisions about their finances. Fiji Financial Education (FinEd) targets behavioral change among youth to make them financially competent and promote wise spending and saving habits, and to teach them how to invest. Since 2013, FinEd has been made available to 197,000 students annually, across all 907 primary and secondary schools in Fiji. In 2017, the Ministry of Education and PFIP finalised a national FinEd assessment tools that enable the annual nationwide data collection of FinEd’s impact on students’ skills and knowledge, which can serve as proxy data on Fiji’s poverty reduction. After the placement of FinEd in the national curriculum, the project was successfully handed over to the Ministry of Education in August 2017, thus ensuring its sustainability and countrywide scale-up.

**Cross-cutting Theme: Innovation Labs:** PFIP Innovation Labs focus on creating sustainability in two key ways. First, the Labs are oriented around the ‘Learn, Test, Scale’ chronology. Services are scoped, then iterated until they are deemed useful for customers and interesting from a business perspective for our partners. Only sustainable products would make it to the final scale up, which is ultimately PFIP’s indicator for project success. Second, the operational model of imbedding a Lab within a partner institution ensures the ownership, and requires management commitment at the highest levels. The project and its products ‘live’ within the institutions themselves and are delivered by its own staff under its own processes. The combination of these elements is critical for the overall sustainability of the product after withdrawal of PFIP’s involvement.

Additionally, PFIP has been very successful in leveraging funds from partners, indicating their commitment. This is evidenced in the leverage section of this report. Leveraged funds have been increasing in recent years within PFIP. Partners have the understanding that the project is to launch something sustainable, that is intended to go beyond the life of the funding partnerships. Partners are also required to report to PFIP until the end of our program in 2018 regardless of when their specific funding arrangement might end, so the monitoring relationship continues.

## ii) Indicator Based Performance Assessment:

Using the **Programme Results Framework from the Project Document / AWP** - provide an update on the achievement of indicators at both the output and outcome level in the table below. Where it has not been possible to collect data on indicators, clear explanation should be given explaining why, as well as plans on how and when this data will be collected.

Select Objective and Outcome Level Indicators – FY 17-18					Comments
	Jun 30, 2017	Dec 31, 2017	EOP Target	On Track?	
Number of enrolments	1,002,388	1,175,226	1.5	●	
Number of enrolments, women	408,662	523,675	750,000	●	
Percent active enrolments	39% Active 30 47% Active 90	42% Active 30 50% Active 90	50%	●	While this target is ambitious, PFIP is on track to either reach it or come very close. The original target in the prodoc was 17%, so as PFIP changed this target mid-course to better reflect a higher target.
Number of Sustainable Business Models	0	0	3	●	Anecdotaly, we know that most PFIP projects which are rather nascent, have not yet yielded fully sustainable business models. While they may in the future and some are thought to be pointing that direction, PFIP itself will be working in the next year on how to measure business case of our projects.
Number of innovations scaled	11	11	14	●	
Number of projects	20	23	27	●	
Number of Active NFITs	5	5+	n/a	●	
Number of countries with FinEd curriculum	2	2	3	●	

## **A Specific Story: Saving for retirement, the Solomon Islands story**

Retirement savings and pension in the Pacific has been largely limited to mandatory contributions by the formally employed to statutory superannuation schemes.

Often those without retirement savings or who can no longer work due to old age, rely heavily on their families or communities for financial support. While there is a prevalence of strong community support, increases in urbanization and changes in social structures have weakened these support mechanisms over time and caring for extended family is increasingly being a financial burden for the young.

For economically active Solomon Islanders in the informal sector, a secured retirement hasn't been something that they could aspire to given that only formally employed workers were contributing to superannuation previously.

In May 2017, through Australian Government funding, PFIP helped the Solomon Islands National Provident Fund (SINPF) roll out a prototype micro pension product that targeted the informal sector which makes up about 80 percent of the country's population of over 600,000 people.

The micro pension product, 'youSave,' unlike the traditional SINPF mandatory account where employers make contributions, anyone can become a member. YouSave includes two accounts and for every dollar saved, the money is split equally into the two accounts. The Preserved account cannot be touched by the account holder until the age of retirement while the General account allows the client to withdraw funds during emergencies.

Though a voluntary superannuation account has always been in existence, there was very little awareness of the account and only about 460 people had registered, some of which were not actively contributing because of difficulties in accessing a SINPF branch.

In preparation for the roll out of the prototype product, PFIP conducted field research to determine the needs of the target group. The research evaluated the demand for pension, informing the design of product features and benefits, communication strategies and the overall operational framework of the pension scheme.

The research uncovered a widespread awareness of not being properly prepared for later life, with the majority focus group participants prepared to participate in a micropension scheme. The research also found that over 70% of respondents expected to receive financial support from their families in old age, with only about 12% stating that they believed that they could survive off their own savings.

The first clients to sign up for the new account were women market vendors who had previously had bank accounts but closed them because of the constant bank fees that they would incur. Many of them resorted to stashing their earnings under crates at their stalls or under their mattresses at home, prone to theft and unplanned spending. They said they saw the value of saving into an account that does not have any fees and could earn up to 8% interest annually.

Using an Innovation Lab model employing Human Centered Design, PFIP worked with SINPF and ANZ Bank to develop a prototype to test client response to mobile payment interfaces (such as mobile apps) and other methods for making SINPF contributions, distribution, marketing messages and mediums, and creating awareness raising around the need to save for old age.

In the first phase, the SINPF visited markets around the country, setting up a booth once a week to sign up market vendors. The team also travelled to many remote areas where SINPF office, banks, and ATMs were

nonexistent. This mode would prove too expensive in the long run so a digital channel was tested through ANZ bank's goMoney mobile banking platform. An agent/merchant network was also set up to use the platform to receive contributions.

By December, the project proved that there was a clear demand for a pension product with over 1000 Solomon Islanders signing up to the product. The SINPF noted that 2500 deposits were made over the six-month recruitment period and averaged SBD 169 per deposit, also proving usage. More than 50% of the account holders had deposited at least once with the most frequent depositor saving 15 times into the account. Notably, one woman deposited SBD \$50,000 on her second transaction.

SINPF plans to scale up the product in 2018. A similar project is currently being tested in Fiji. Results from both countries could help form the future of micro pensions in other pacific island nations.

### III. Other Assessments or Evaluations (if applicable)

- No significant studies or evaluations were undertaken in 2017, although there are two planned for 2018.

### IV. Programmatic Revisions (if applicable)

- There was a significant honing of the PFIP focus in 2016 which deepened PFIP's commitment to the Innovation Lab methodology. However, there was no revision in 2017.

### V. Resources (Optional)

Like UNCDF, PFIP's principle is to leverage funds of project partners to assure buy-in and commitment of partners to maximize cost efficiency of programmers. PFIP's overall partner contribution stands at 50%, with private sector partners contributing in general 50% of project funds and public-sector partners 48% of funds. Under PFIP 2, for every dollar PFIP spent on supporting programmes, the partner spent \$0.99. A full breakdown is as follows:

	<b>Contribution (USD)</b>	<b>% of total</b>
<b><i>Grants to Private Sector</i></b>		
PFIP Grant agreements	4,212,567	50%
Grantee Resources Leveraged from private sector	4,224,971	50%
Parallel Funding	0	
<b><i>Sub-total</i></b>	<b>8,437,538</b>	
<b><i>Grants to Public Sector</i></b>		
PFIP Grant agreements	1,367,386	52%
Grantee Resources Leveraged from public sector	1,278,732	48%
Parallel Funding	0	
<b><i>Sub-total</i></b>	<b>2,646,118</b>	
<b><i>Overall grants signed_2017</i></b>		
PFIP Grant agreements	5,579,953	50%
Grantee Resources Leveraged	5,503,703	50%
Parallel Funding	0	
<b><i>Total contributions</i></b>	<b>11,083,656</b>	

