EXECUTIVE SUMMARY OF EVALUATION
FOR PUBLIC DISCLOSURE

FROM: East Asia & Pacific Advisory Services Philippines (CEAOH)

MIDTERM EVALUATION OF THE PACIFIC MICRO-FINANCE INITIATIVE

Redacted Version

1. The Executive Summary of the Evaluation entitled *MIDTERM EVALUATION OF THE PACIFIC MICRO-FINANCE INITIATIVE* has now been redacted for public disclosure in accordance with IFC's 2012 Access to Information Policy, following the Procedure for Development, Management and Disclosure of IFC Evaluations effective on April 15, 2014.

2. The attached redacted version reflects the following adjustments:

   - Removal of client's and donor's names
   - Removal of commercially sensitive information about the clients
   - Removal of information internal to IFC's project management, e.g. the status of expenditures vs. budget, reach vs. plan

3. Questions on this document should be addressed to Charles Lor clor@ifc.org or Ferdinand Sia fsia@ifc.org

Executive Summary of Evaluation

Name of Evaluation	*Midterm Evaluation of the Pacific Micro-Finance Initiative*
Date of Final Report of Evaluation	*June 23, 2013*
Author of Final Report of Evaluation	*Charles Lor, IFC, CLor@ifc.org*
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Executive Summary Approved for public disclosure by (name) on (date)	*Anna Hidalgo, IFC-ECRIO, AHidalgo@worldbankgroup.org*

Background

This is a Mid-Term Evaluation Report (MTER) for the Pacific Microfinance Initiative (PMI or the Program). The PMI was developed by a funding agency and the International Finance Corporation (IFC), a member of the World Bank Group, to promote innovative ventures to broaden access to basic financial services to "underserved" people, especially the underserved poor in Timor-Leste (TL), Papua New Guinea (PNG) and the Pacific Islands (The "Pacific region").

This evaluation applied the five Development Assistance Committee (DAC) criteria (relevance, effectiveness, efficiency, impact, sustainability) as well as three additional criteria (additionality, monitoring and results measurement, cross-cutting issues).

Overall Evaluation

Overall the evaluator assessed the PMI to be making encouraging progress towards the goals outlined in the original design document. Completed and ongoing implementations show positive outcomes, though the process of moving additional pipeline projects to implementation has been quite slow[1].

Program Evolution

The PMI program has evolved significantly since inception. The original PMI program design document, created in 2010, appears aspirational in nature and was written at a time when IFC did not have in-depth knowledge of the Pacific markets. This was also at a time when the funding agency and IFC thought that there was a wider platform of organizations capable of delivering financial services in the region.

This led to a series of ambitious goals in PMI design. Examples include:

- A desire to work with non-traditional service providers - "PMI will promote and assist applications from a wide range of financial service providers: from commercial banks, to microfinance institutions, to non-conventional providers such as real sector firms (agribusiness, telecoms, forest products, etc.) offering supplier/distributor credit and other types of value chain finance."[2]
- A goal to replicate outcomes based Performance Based Grant (PBG) approach in the Pacific, based upon success in other markets.

However two items seem to have led to confusion as PMI began its prospecting process.

[1] 1=very poor quality; 2=poor quality; 3=less than adequate quality; 4=adequate quality; 5=good quality; 6=very high quality.

[2] PMI Program Design Document June 2010 – Section 3, Page 11

- The program title Pacific Microfinance Initiative (PMI) could easily be interpreted to mean that the program was designed to support Microfinance Institutions (MFIs) primarily, or even exclusively.
- The design document did not include an outreach goal. To a certain extent this allowed the PMI team to define their own goals and their own preferences regarding who to work with.

PMI pursued an aggressive market analysis and prospecting agenda during 2009 and 2010, which uncovered a number of potential partners. However, once the PMI team engaged with these potential partners and sought to implement the program, several realities became evident.

Market Realities: The 2009-2010 formal market analysis and aggressive prospecting generated a thin pipeline of realistic projects that could be executed within the first two years of PMI. Attractive financial institution prospects and large technology platforms were not willing to engage in microfinance at the time. Assessments of financial institutions engaged in MSME lending and several commercial banks in Fiji deemed them all unsuitable due to internal issues such as risk management, governance, operating capacity and management commitment. While IFC prefers to pursue the more effective joint investment-advisory approach to projects, there were simply no viable investment prospects in 2010. The Global/Regional microfinance investment experts concurred with the advisory-led approach to market development. Interventions in the supply-chain market or partnerships with non-traditional players such as PNG credit unions, agribusiness or real sector firms required intensive, long-term on-the-ground business model development activities. Greenfielding, a sure bet in most markets and envisioned for Fiji, proved un-attractive to standard international players / operators given the small pacific market with prohibitive operational costs.

Resource Realities: While the PMI was envisioned to work with diverse intermediaries, the fact was that such an undertaking required on-the-ground resource capacity that did not exist. In September 2009, the funding agency requested IFC to share a draft PMI Proposal for peer review by two multilateral development institutions. Their strong feedback was that it would be impossible to achieve the proposed interventions with multiple intermediaries without a cadre of solid "boots-on-the-ground," with expertise in the diverse financial intermediaries/mechanisms. IFC responded that PMI would be "implemented by a small core management team from IFC's Sydney office supported by business development and technical officers in the field (e.g. Port Moresby, Suva, Dili)."

PBG Limitations: The PBG concept works best with relatively mature organizations where the partner can clearly articulate business plans and define goals themselves. Ideally the grant subsidizes a new channel expansion or entry into a new geographical area. The original PBG concept does not work well in relationships where IFC needs to assist the partner in developing business plans and setting realistic goals. Indeed, in the evaluator's opinion, the classic PBG approach is unsuitable for underdeveloped markets with immature/early stage institutions. During 2010-11, PMI's straightjacket PBG funding mechanism deterred the PMI team from nurturing projects to the stage where an output based aid program could be introduced and investment prospects considered. That said, technical assistance/modified PBG approaches were not possible during the first two years because PMI lacked the human capacity required for the more hands-on approach.

Institutional Realities: IFC is a relatively heavy organization with multiple layers of approval necessary before IFC can engage with new partners. Effectively, IFC as an institution is designed to work with relatively mature organizations that can assimilate IFC global best practice advice and that have internal capacity to transform this advice and associated business concepts/ideas into operational reality.

During 2010 and 2011, an under-resourced PMI team with leadership new to IFC expended significant energy chasing potential partners that were not good institutional fits for IFC, and in some cases were ultimately not able to provide the 50% match required for PMI project funding. PMI may have added complexity to their own process

by attempting to shoe-horn some early-stage partners into PBG agreements. Over time this approach has changed, with much more hands-on partner engagement, more time and budget being expended on technical advice up-front, and a smaller PBG component. This modified approach appears to have been much more effective in engagements with two financial institutions in Timor Leste. In the case of these financial insitutions, PMI has effectively designed output based PBGs, whereby the grant payment criteria are based upon client level outputs, rather than customer level impact. This is a departure from the original PBG concept which envisaged the PBG partner delivering a certain customer outreach/impact number with limited direct engagement from the PMI team. The modified approach retains some PMI leverage over the client, in the form of the grant payment, while giving the client more incremental output goals, which are easier to manage towards.

Operating environment and resource challenges withstanding, progress has been slower than expected. One project has been completed and four are in active implementation. However two of the four were recently approved, with implementation ramping up currently. All remaining projects are at the pipeline/concept stage.

Current Status

Status of the individual component projects is outlined below.

PMI Projects	Status	Country
Microfinance		
South Pacific Business Development Foundation	Complete/Closed	Samoa, Tonga
Moris Rasik AS	Implementation	Timor-Leste
Tuba Rai Metin	Implementation	Timor-Leste
PNG Microfinance Limited	Pre Implementation	PNG
Fiji Microfinance Greenfields	Pre Implementation	Fiji
Remittance & Mobile Banking		
BSP Rural-E-Banking/Mobile Money	Implementation	PNG
Oceanic Communications Limited	Pre Implementation	PNG
Financial Infrastructure		
Pacific Payment Legislation	Implementation	PNG
Note		
1. Pre Implementation - concept approved by both IFC and AusAid		
2. Implementation - Client contracted		
3. Complete / Closed - Contracted period over		

Objectives

The evaluator reviewed the active projects in detail, reviewing project planning and supervision documents, along with partner operational and financial performance. The evaluator conducted field visits to one client financial institution in PNG, and two client institutions in Timor-Leste. However a comprehensive evaluation was not done at the project level, rather at the overall PMI Program level. As a result, the evaluation document focuses primarily on the overall PMI Program and evaluates program progress against the standard DAC evaluation criteria. In addition, summary project level evaluations are presented in the Appendices section for each of the active implementations. Since, in the evaluator's opinion, the three of IFC's projects under pre-implementation are unlikely to proceed in their existing planned format, no evaluation has been performed for these projects.

Analysis

Evaluation comments for each of the DAC criteria are outlined below.

Relevance

Relevance is concerned with the alignment of the program objectives, design, and to-date implementation with the key needs and challenges of the program's target customer groups and beneficiaries.

From an objectives' perspective, the broad relevance of access to finance programming in general, and the PMI program specifically, is self-evident given the low levels of access to financial services (estimated at 8% in PNG, 13% in Timor-Leste, 39% in Fiji, 15% in Solomon Islands, 19% in Samoa, and 28% in Tonga) and high levels of poverty in the region.

From a partner selection perspective, PMI's partner mix is quite relevant given the nature of customer demand for entry-level financial services. These are likely to take the form of uncollateralized/group lending as provided by a client financial institution operating in the Pacific Islands, and the two client financial institutions in Timor Leste, a business activity which is unlikely to be pursued by the established banking players.

There also appears to be unmet market demand in the rural Micro, Small and Medium Enterprise (MSME) lending market, where one client institution in Timor Leste and another in PNG could be well placed to serve.

In addition, the high level of reliance on remittances within the region makes the provision of low cost money transfer, remittance, and payment products a very relevant development goal, both at the supply and enabling environment/regulatory levels. The Pacific Payments Legislation (PPL) project is an excellent example of effective collaboration with the World Bank to affect change across multiple jurisdictions in the region, and ultimately to lower the cost of national and international remittances.

While the partners themselves are all relevant, PMI's original PBG approach is not suited/optimally relevant to all partner organizations. As discussed extensively in the evaluation document, some of PMI's partners are relatively immature enterprises where the traditional technical assistance approach is a necessary pre-cursor to PBG. A more appropriate approach in smaller markets could be the funding or management of business incubators in small markets such as Timor-Leste and elsewhere. Such incubators could provide entry-level entrepreneurs with start-up advice and financing and facilitate effective communication with IFC advisory services whenever they have reached an appropriate level of maturity.

PMI is generally in line with World Bank and IFC strategy in the Pacific, which focuses on Access to Finance more broadly. PMI is seen as a subset of IFC's overall Access to Finance work. The PMI process to date has taught IFC some critical lessons which are leading to a more realistic resource driven strategy and a preference for working with partners of a certain level of scale and sophistication. IFC has also adopted a justified preference for providing advisory services to investee partner clients. Investee relationships have several advantages for PMI: it short-cuts IFC's laborious partner approval process thereby allowing PMI/IFC advisory services to engage more promptly. Also since IFC is a shareholder, PMI can escalate decision making and/or resource requests much more effectively, thereby ensuring that PMI technical and strategic advice is actually implemented properly.

Effectiveness

Effectiveness is concerned with the extent to which intended outcomes were achieved, and the wider merit of these outcomes.

As of 31 December 2012, PMI had improved or expanded access to finance for approximately 100,000 customers. While PMI is definitely expanding access to financial services in the region, the extent of the overall program goal

of reaching the unbanked by initiative completion in 2014[3] is unlikely to be achieved during the current lifetime of PMI.

The original PMI design relied on the MFI interventions for qualitative impact/demonstration effect with modest outreach goals. The envisioned technology/m-banking and remittance interventions were expected to deliver the high number of end-customers reached. Among the prospects for intervention, only one materialized. As a result, progress on the numbers has been limited to date.

However, the PMI team feels that the goal is achievable with an extended timeline. While several new pipeline projects are expected to deliver high customer impact numbers, the project timelines, baseline numbers and projected customer impact numbers are not yet clear. New potential projects withstanding, the biggest customer impact numbers will be provided by the Pacific Payments Legislation (PPL) project, which although very relevant, has indirect customer impact, whose attribution levels are debatable.

The evaluator feels that a more realistic approach would be for new customer level targets to be created going forward, based upon a bottom-up estimate of supply and demand numbers in each national market. The evaluator feels that, while it is legitimate to include infrastructure/enabling projects such as the Payment Legislation project in the overall goal, a percentage attribution should be applied and justified in each project design document.

Individual projects are showing positive results. Outreach goals have been met at one client financial institution in Samoa and Tonga, which are impressive at the national level, but quite small in the overall regional context. This demonstrates the necessary high cost of outreach investments in the smaller island markets. The larger goal of establishing a regional network of dynamic MFIs appears to be progressing well with the client institution's expansion into Fiji and the Solomon Islands. The diversification of the client's equity base and more transparency in its corporate governance has not materialized, but this more addresses sustainability rather than the immediate access to finance goals. From an access to finance perspective, this project fits within IFC's Tongan, Samoan, Fijian and Solomon Island country strategies and the Global Microfinance Strategy.

Progress on the engagement with the client financial institution in PNG has been very positive, with significant progress made on customer outreach and a significant increase in new financial access points (Electronic Funds Transfer at Point of Sale (EFTPOS), ATMs, Agents, etc.) in rural areas of PNG.

In Timor-Leste, multiple delays were experienced in one of the projects with a client financial institution. The end goal of increased customer impact and access to finance has not yet materialized, but clear implementation plans are now in place and significant progress is being made to professionalize the management and operations of the client institutions, as a necessary pre-cursor to company growth and expanded customer outreach.

Efficiency

Efficiency is concerned with implementation performance against time and budget parameters.

Against the time dimension, progress has been slow, with only one project completed and a second well into implementation. A third has been greatly delayed and two others have just recently been approved. All others remain in the business plan development/pipeline process.

The ability of potential partners to create viable business plans and to quickly move from concept to performance based grants was greatly over-estimated. In certain cases, significant engagement and technical assistance was

[3] PMI Annual Report June 2011 – Page 1

required just to create viable business plans upon which performance based grant contracts could be structured. Relying on the client to deliver such plans with remote assistance has proved problematic and led to considerable delays, especially in the case of one of the projects in Timor Leste. While PMI's lack of in-county presence was not the cause of these delays, a permanent presence in country would certainly have predicted some of the issues and helped mitigate their effect. As a result of these experiences, there has been an operational shift in project approach, with PMI now engaging in a much more substantive manner in the business planning phase with two client financial institutions in Timor Leste.

The concept and implementation plan approval processes appear to have also caused some delays. The PMI design document outlines a set of protocols for communication of project concepts and associated approvals. PMI effectively followed two parallel project approval processes, going through a rigorous internal IFC process and also having projects approved by a PMI grants committee with the funding agency's representation. However, this dual approval process has led to delays and sub-optimal management decisions. There appears to have been confusion over the point of approval and the appropriate level of detail to be presented at the review stage. This led to some deviations from formal IFC policies, as IFC approved projects were not set up in the IFC management systems pending PMI grants committee approval. This led to some project expenditure being charged to a "catch-all" PMI Pipeline Project, with obvious issues around control and accountability. The PMI Pipeline Project is necessary to capture broad PMI prospecting activities such as PMI sponsorship of Microfinance Week and the funding of IFC regional expert input into project concept development. However, confusion over concept note approval led to certain pre-implementation activities being charged to the PMI Pipeline during 2011 and early 2012. This practice has now been revised with formal Concept Notes being drafted and approved and project codes being established for all concepts early on. This ensures that all project specific costs are tracked separately/individually from a very early stage.

Impact

Impact is concerned with significant and lasting changes (both intended and unintended) fostered by the project.

It proved difficult to measure impact since only one project has been completed. The client financial institution in the Pacific Islands has met its outreach goals and, although the customer numbers are small, PMI financing has led directly to the first time provision of microfinance services in several islands in Tonga, and indirectly contributed to this financial institution's expansion plans for Fiji and the Solomon Islands.

A recently completed impact study on the Tongan island of Vava'u confirms this client financial institution's outreach and documents mainly positive but somewhat inconclusive impact. The financial institution's frequent meeting structure has encouraged healthy peer pressure, increased participating women's confidence and business acumen, and led to collective action for income generation. While this financial institution has not encountered any repayment problems, the impact survey concluded that less than half (38%) of loans were used for income generating activities. The study raises some concerns about the repayment modality (principal installment) and frequency (weekly) of this client institution's standard group loan product offering. Ideally additional customer surveys and research should be conducted by this client institution to ensure that their loan products match their customers' cash-flows and customers are not forced into sub-optimal investment and labor decisions based upon inflexible loan product features.

The evaluator noted a similar issue at two client financial institutions in Timor Leste, where the MFIs appear to offer standard/copy-cat savings and loans products and do not appear to have internal capability to survey their customers, understand their preferences, and design products accordingly. Matching customers with appropriately designed products is key to positive customer level impact. One of the key recommendations of the evaluation is that PMI engage with all client partners to create internal capacity to conduct customer feedback surveys and to design products accordingly. Periodic customer surveys on topics such as product preferences,

customer satisfaction levels, repayment issues, and customer dropout reasons would greatly enhance each organization's understanding of its customer base and increase their overall impact accordingly.

The evaluator notes that responsible finance frameworks are part of the two client institutions in Timor Leste's implementation plans. PMI should take advantage of this situation to encourage sector wide changes, such as the adoption of effective (i.e. instead of flat) interest rates, reduction/elimination of prepayment penalties, and the adoption of more flexible products such as end of term loans for the agricultural sector and working capital credit lines for small businesses and traders.

The client financial institution in PNG has much bigger/better numbers and much greater overall potential. Apart from the impressive numbers, the biggest impact of the project with this institution has been the creation of a comprehensive ecosystem of financial access points in areas of PNG where no outlets existed previously. This ecosystem includes low cost bank branches, Commodity Buyer Points, ATMs, Cash-in/out Agents, and EFTPOS merchants. If the appropriate resources are applied and the financial institution's plans succeed, this diverse ecosystem approach has the promise to radically transform the way PNG's rural populations use cash, make payments, and save for the future. Although this goal has not yet been realized, this project has huge impact potential.

Sustainability

Sustainability concerns the likelihood that project benefits will endure. Significant emphasis was placed on sustainability when the original PMI concept was developed, with sustainability conceived mainly as enduring, profitable, and investment-ready microfinance organizations targeting previously unbanked populations with a broad range of relevant and appropriately priced products.

From a financial sustainability perspective, all of PMI's microfinance partners appear to have sustainable business models and are profitable. However, some of this profitability is masked by donor grant funding.

The financials of this client financial institution in the Pacific Island are complicated by some costs being transferred between the individual operating companies and the holding company through management fees etc., but the model does appear to be financially sustainable. However the goal of transforming the client institution's corporate governance and shareholder participation to a broader base has not been met. The legal framework to facilitate diverse shareholding (holding company structures, etc.) has been put in place, but no progress has been made in broadening equity participation. Individually owned institutions such as this client institution have higher sustainability risks.

In the case of the two client financial institutions in Timor Leste, they are both making small profits right now, but have historically benefited from donor funding to offset costs. Without such funding, they are probably both operating at break-even. However, PMI investment in each company should allow them to expand their product offering and their geographical outreach. In an ideal scenario, this should ensure sustainability for both organizations. However, the evaluator notes that Timor-Leste is a very small market and if one of the two MFIs professionalizes quicker than the other, it could quickly make inroads into the other's customer base and impact the other's profitability and sustainability. In the evaluator's opinion one of the client institutions is a more professional organization and has a much higher likelihood of long-term sustainability than the other institution. However PMI investments in both organizations can be justified as an attempt to create a viable and competitive microfinance sector in Timor-Leste, which is preferable to a monopoly scenario.

Compliance with ODTI regulation in Timor-Leste will force both client institutions to take on additional shareholders. Both organizations are currently engaged in equity investment discussions with several reputable multi-lateral organizations and investment funds.

The client financial institution in PNG is a publically quoted company with a diverse shareholder base. The financial institution as a stand-alone business line is currently losing money, but from discussions with its management, there is a significant commitment to continue to grow this business line. The client's management views the financial institutions to be a low cost customer acquisition machine. Their goal is to have a large proportion of PNG's rural population using its card services for payment, money transfer, and merchant transactions. The financial institution's management notes that much of the ATM and merchant fee revenue from its customers does not appear on its P&L right now, but the financial institution is already close to break-even if this revenue is counted.

Additionality

Additionality concerns the extent to which the outcome would have occurred on its own or what would have happened without PMI's involvement.

Broadly speaking, most of these projects would have probably materialized in some form without PMI. This is because there is need for many of these interventions, and other donors and technical assistance providers are active in the region and are open to supporting similar projects.

However, PMI is quite unique in the scale of funding and the multi-year nature of support it can provide. From this perspective PMI additionality is clear in its ability to help organizations such as the two client financial institutions in Timor Leste transform into professionally run companies capable of significant outreach, thereby ensuring a competitive microfinance sector in Timor-Leste.

The other element of additionality which PMI can claim is its close connections with IFC's investment arm and its ability to prepare organizations such as the two client financial institutions in Timor Leste for possible IFC investment. PMI has already organized IFC investment missions to these two client institutions, where at least one IFC investment is likely in 2013. Even in scenarios where IFC does not invest, the investment missions can effectively be used as planning (dry-runs) opportunities to ready the organizations for future investment discussions and associated due diligence with other parties.

IFC/PMI advisory services do appear to be more effective in cases where IFC also has an investment relationship with the partner. This is because the investor relationship is typically broader and deeper, thereby giving IFC more leverage with the partner to accelerate/escalate more difficult decisions, which otherwise might be delayed by partner management. This certainly has been the case with the client financial institution in PNG where a combination of the IFC investment relationship and PMI sponsored mobile banking expertise has facilitated multiple executive level discussions, which ultimately has led to the creation of an unique Rural financial access point ecosystem strategy.

Projects such as Pacific Payment Legislation (PPL), which require very specific expertise and long-term relationships with governments and regulators, clearly demonstrate additionality.

Monitoring and Results Measurement

PMI's overall results management framework is good. It has key measures in place, and the reporting and consolidation of these measures is done on a consistent and timely basis. Critical PMI metrics such as previously unbanked customers, customers transacting with pro-poor products, points of full and partial financial service, are tracked for all projects.

However formal casual results chains were not completed during the early days of PMI. From 2011 onwards, formal results chains were documented for all active implementation projects ~~(see Appendix D).~~ Project results

chains do address intermediate outcomes, and mention impacts at the customer level, but they do not unpack the chain of causal relationships triggered by lending or payments improvements. Ways to improve the results management framework include fuller articulation of results chain maps at the customer impact level. Some thought also should be given to the casual linkage between access to finance and increased economic activity (or vice versa) in remote/rural areas.

Cross-cutting Issues

PMI has struggled with cross cutting issues such as gender, with many of the recommendations of PMI's formal gender strategy viewed skeptically by client partners and by the MTER evaluator. Formal strategy withstanding, most of PMI's actual partner products are designed specifically for women and/or include high percentages of women customers. From an approach perspective, going forward it is probably better to mainstream gender into specific project plans rather than trying to have a common regional wide approach. In addition, the evaluator feels that PMI should address equality issues more broadly within the program, to focus on equality of access for marginalized sections of society, whether such marginalization is caused by gender, disability, race, cultural-norms, tribal divisions, rural-urban divides etc.

Conclusions and Recommendations

In summary, the evaluator concluded that the PMI program has evolved significantly since its inception in 2010. This evolution has led to a much more realistic approach, with PMI recognizing the real challenges of working with less mature partner organizations and reacting accordingly by enhancing PMI staff compliment, recruiting in-country resources, engaging more substantially/intimately with clients before the performance based grant is signed, etc. In essence the project has moved to a more traditional Technical Assistance (TA) approach with a smaller grant component tagged on. Time delays in moving projects from pipeline to implementation withstanding, progress at the project with two client financial institutions operating in the Pacific Islands has been positive and those with two client financial institutions in Timor Leste, and the Pacific Payment Legislation are now ramping up.

Key Recommendations

A list of key high-level recommendations is outlined below. A more detailed list of lessons learned and associated recommendations are included in the detailed evaluation report.

1. Significantly more resources are necessary to support less developed/early-stage partner institutions than mature partners. PMI resourcing in 2010 and 2011 was insufficient, thereby causing a situation where the PMI team struggled to translate initial contacts into approved implementation plans.
2. Appropriate numbers of dedicated PMI resources need to be applied to move projects from concept to implementation. To a large extent PMI has recently addressed this issue.
3. Mission based support works for more mature organizations, but less developed/early stage organizations need much more consistent ongoing support. This necessitates the hiring of in-country resources in countries with long-term implementation partner relationships. This has been recently completed in PNG and Timor-Leste.
4. The Performance Based Grant structure should be optional for PMI projects going forward and only applied when engaging with mature partner organizations (such as the client in PNG). A modified output based PBG approach and/or traditional technical assistance (TA) should be considered with less mature partner organizations (such as the clients in Timor Leste).
5. IFC and its funding agency should consider alternative program approaches, especially in smaller markets. Initiatives such as business incubators could be appropriate in smaller markets where many private sector initiatives will be very early stage or indeed startup. Consideration should be given to funding initiatives similar to the World Bank's InfoDev program[4]. Such incubators could be aligned with local universities and

[4] https://www.facebook.com/infoDevWBG/info

provide support for smaller scale business opportunities such as Timor-Leste's new Money Transfer Operator (MTO)7 opportunity.

6. Very clear concept approval protocols should be built into any future PMI donor relationships – ideally with the donor having high level partner/concept approval authority, but with detailed grant agreement negotiations delegated to the PMI team. As much as possible, parallel approval mechanisms (IFC and donor) should be avoided.
7. PMI staff should conduct/update a supply/demand gap analysis in each country and reset overall project impact expectations based upon a more realistic bottom-up approach. (Market analyses have been done early in the project but not updated for new entrants (MNOs, etc.) or recent supplier growth). PMI staff could cooperate with other multilateral development institutions if appropriate to update this analysis.
8. PMI should maintain and circulate a formal record of pipeline status/movements on a periodic basis. The pipeline update should be circulated to IFC and its funder, at the Pacific Financial Inclusion Working Group, etc.
9. PMI should take advantage of its support of both MFIs in Timor-Leste to encourage the adoption of responsible finance principals across the sector.
10. Increased attention should be paid to engaging with an MSME lending partners in PNG and then in Timor-Leste. This probably represents PMI's biggest outstanding market opportunity.
11. PMI results chains need to be updated to further investigate/unpack the chain of outcomes at the customer level.
12. PMI should support/encourage all MFI client partners to create internal capacity to conduct customer feedback surveys and design products accordingly.
13. With in-country staff in place in PNG and Timor-Leste, PMI should engage directly with the funding agency's teams in each country. Initial engagements should focus around information sharing, overview of financial supply and demand in-country, and then overview of active implementation activities. Where PMI has in-country resources (Timor-Leste and PNG) it should be feasible to meet on a quarterly basis.