

Progress Assessment of Implementing Policy Recommendations

Using the policy advocacy framework

NATHAN

Trusted for Excellence

SUBMITTED TO

Business Finance for the Poor in
Bangladesh (BFP-B)

SUBMITTED BY

Consiglieri Private Limited

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Introduction

Business Finance for the Poor in Bangladesh (BFP-B) is a unique five year programme which is designed to couple social and economic welfare objectives through a making markets work better for the poor (M4P) approach to increase access to finance for MSEs, especially those that are currently underserved by the formal financial sector.

The Policy Component of BFP-B Project has completed 8 studies and came forward with number of recommendations. Then BFP-B prioritized some policy recommendations through consultation with the regulators and other stakeholders. The policy recommendations were prioritized by considering the quick wins that could be achieved within the project period and which will have significant impact on access to finance of MSEs. Since BFP-B envisaged that the impacts were likely to happen within the project period, it developed an M&E framework for assessing how the inputs of the Policy Component transform to outputs, outcome and impact and determined the indicators to measure outcomes of policy changes on the policy environment, financial service providers and MSEs.

BFP-B conducted a study in July and August 2019 to assess the progress of BFP-B policy component activities, capture the current status and estimate a probable achievement by the end of the project. The study also tried to understand the probable impact of the policy changes once those are successfully implemented. Various relevant stakeholders i.e Regulators, Coordination actors, Coalition organization representatives, Sector experts and representatives from different stakeholders including the Banks, Insurance companies, Mobiles financial service providers and MFIs were interviewed. The detailed list of the interviewees is available in the annex III. The specific objectives of the study were

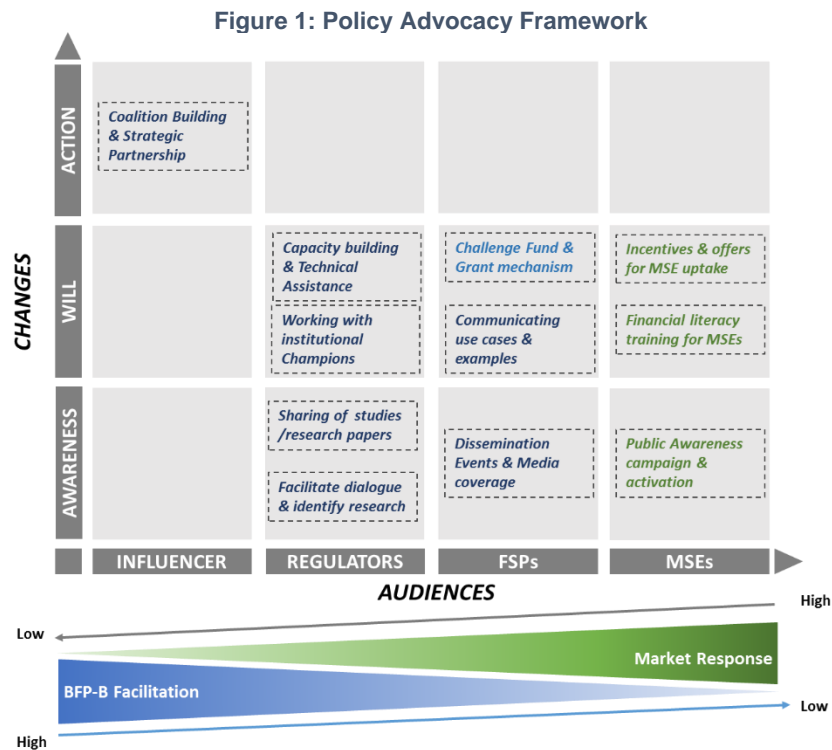
- Understand at what level of implementation the selected recommendations suggested by the BFP-B policy studies were at that time (i.e. current status)
- Estimate a probable progress at implementation level by the end of the project
- Assess the level of priority by the regulators towards the selected recommendations
- Sense the potential impact on the financial market upon successful implementation of the recommendations (qualitative)
- Evaluate the contribution of the BFP-B facilitations to the progress of the policy change processes (contribution and plausible attribution)
- Identify the dependencies and areas of improvement for specific recommendation areas.

Methodology

Advocacy Framework

I. The Framework¹

The present study developed an advocacy framework based on the strategy developed by Coffman (2008), Campbell & Coffman (2009) and Coffman & Beer (2015). Here Changes are the results or outcome that an advocacy or policy change effort aims for with an audience in order to progress toward a policy goal. It's a continuum, which starts with basic awareness or knowledge, where the goal is to make the specific audience aware that a problem of potential policy solution exists. The next point is will, the goal here is to raise an audience's willingness to take action on an issue. It goes beyond awareness and tries to convince the audience that the issue is important enough to warrant action, and that any actions taken will in fact make a difference. The third point is action, and here the policy efforts actually support or facilitate audience action on an issue. CPL categorized the audiences/ financial market actors into four different groups- Influencers, Regulators, FSPs and MSEs.



¹ For detail on the framework please review *Policy Advocacy Framework: Methodology Note on Stakeholder Mapping Research* (May, 2019), by Consiglieri Private Limited

The focus of the policy work in case of BFP-B, in terms of audience, starts with the **strategic partners or influencers** (e.g. UNCDF, PKSF etc.). The strategic partners bring additional credibility and strengthen advocacy. The **regulators** (as part of PAC and individually) are the key actors/audience of BFP-B policy component. According to the TOC (Policy TOC, 2019), it is envisaged that through BFP-B facilitation and advocacy, the regulators will *improve/introduce procedures/policies/practices/standards to create environment conducive to the expansion of inclusive financial services in Bangladesh*. This will then create the incentive for the market actors/**FSPs** to diversify /adapt financial services/products for low income clients or **MSEs**. The framework also provides various tactics that are deployed by BFP-B to facilitate changes among the key identified actors (the description of the tactics and indicators are provided later).

As we move from the left to right, BFP-B facilitation (blue) diminishes and market actor response (green) increases; here market actor implies private sector actors such as MSEs and FSPs.

Influencer: BFP-B has already built strategic partnership/coalition with actors/agencies who have objectives aligned with the project and as such are already aware of the issues and have the capacity (will) to take collective actions, e.g. advocacy and joint promotion. These partnerships bring additional credibility and help in creating awareness and willingness among 'regulators' and other market actors.

Regulators: BFP-B policy component effort mostly deals with working with key regulators. The project works with key financial regulators to identify demand driven research issues. Through such a dialogue and issue specific research, it is anticipated that the regulators will become aware and have increase knowledge of the solutions/recommendations. In order to create 'willingness', advocacy and political action may be required. This often works through identification of issue specific institutional champions, who can prioritize recommendations identified in studies and take it forward. In some specific cases, capacity may be an issue and as such in order to bring about requisite action, specific technical assistance may be required.

FSPs: Once the procedures/ policies/ practices /standards are improved/introduced, BFP-B may support the government to disseminate the information in various event/medium to create awareness among market actors; however here the role of the project is limited and hence we see BFP-B facilitation effort diminishing.

MSEs: At this level, BFP-B policy component has no direct effort or activities. However, it is entirely possible for FSPs who are encouraged by the policy change,

facilitated by BFP-B, to diversify /adapt financial services/products for low income clients (MSEs).

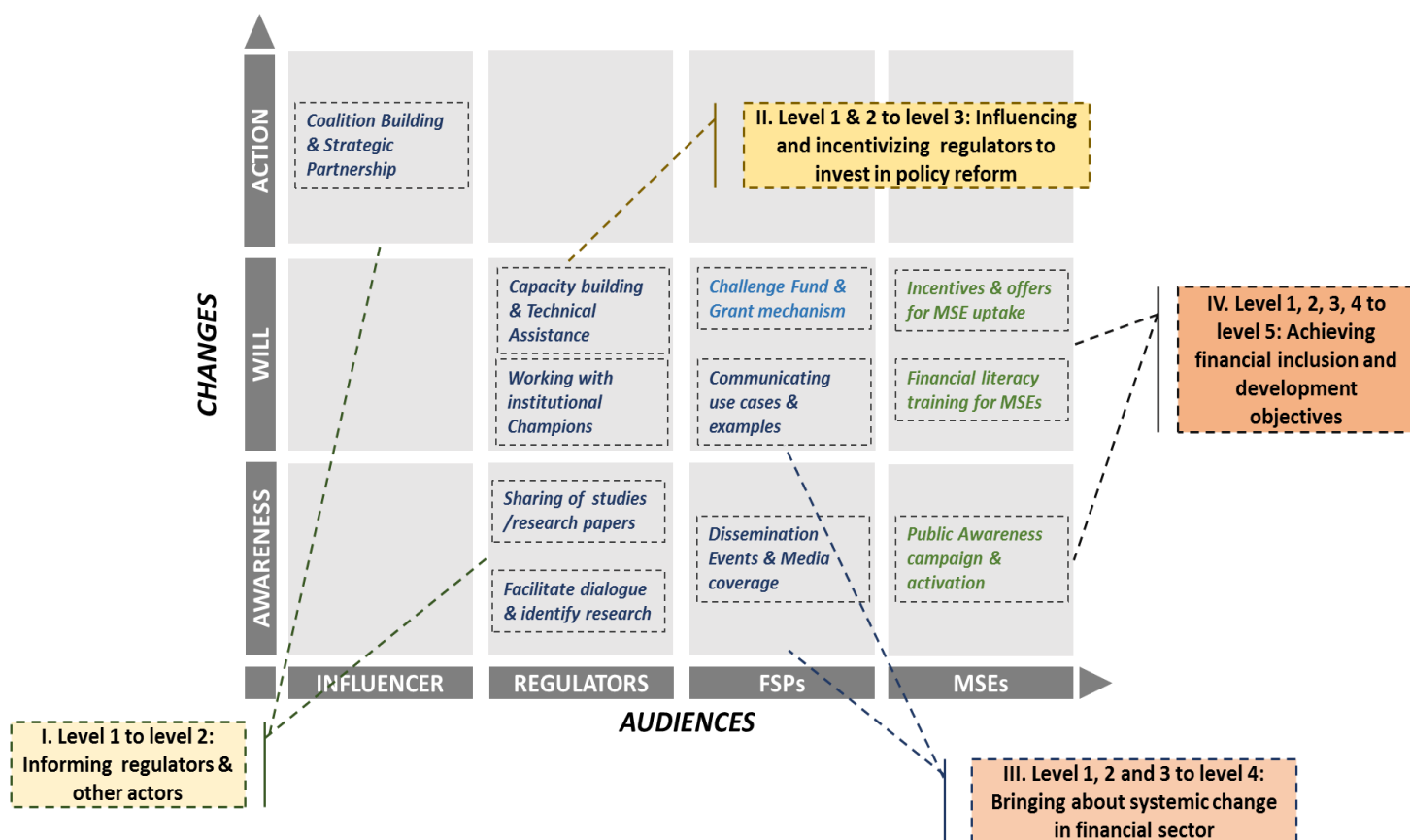
II. Framework and Policy TOC

The advocacy framework is aligned with the Policy TOC (See Annex II). The Policy TOC covers the policy component and outlines how policy component activities and outputs are intended to stimulate short, medium and long-term changes and outcome to achieve the overall goal/impact of financial inclusion. Policy TOC was broken into several levels which build upon each other, these include (See Annex II):

- I. Level 1 to level 2: Informing regulators & other actors
- II. Level 1 & 2 to level 3: Influencing and incentivizing regulators to invest in policy reform
- III. Level 1, 2 and 3 to level 4: Bringing about systemic change in financial sector
- IV. Level 1, 2, 3, 4 to level 5: Achieving financial inclusion and development objectives

The explanation for each steps are provided in the annex II. The following figure shows how the advocacy framework aligns with the aforesaid levels identified in the policy TOC.

Figure 2: Advocacy framework and Policy TOC



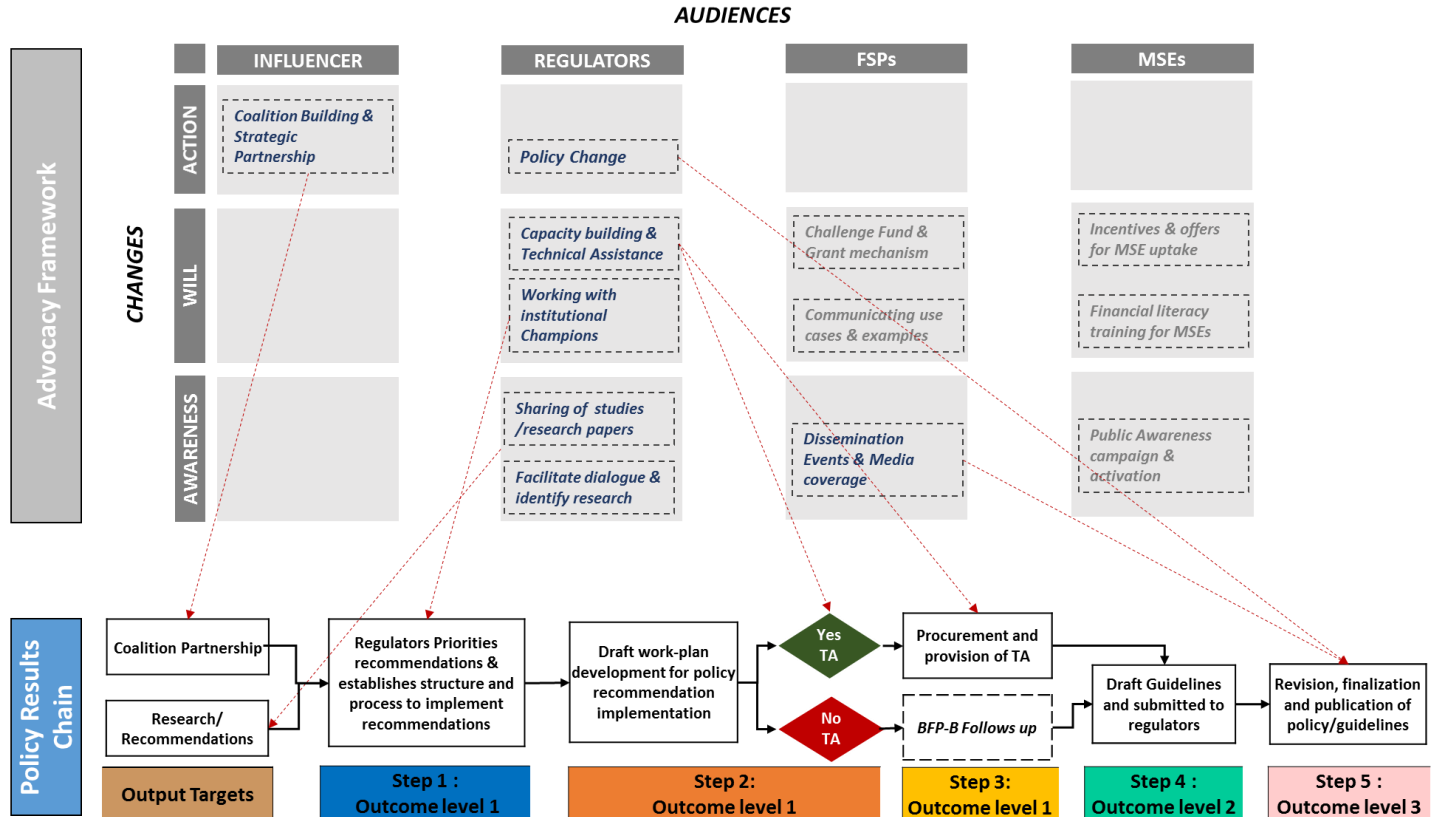
As can be seen from the above figure, the advocacy framework unpacks the various levels of the policy TOC into behavioral changes among key audiences and tactics necessary to bring about such changes. The following section defines the mentioned tactics.

III. Framework and Policy Results chain

The results chain below articulates how BFP-B activities will lead to various output and outcome. The outcome has been disaggregated into an *outcome matrix* of **3 Levels entailing 5 steps**, where *Steps 1, 2 and 3 are all part of Level 1* and then *Step 4 is Level 2 Outcome* and finally *Step 5 relates to Outcome Level 3*. The policy results chain outlines the current and potential end point of the 11 prioritized policy recommendations, articulated based on the assumption that regulators will confirm to implement all prioritized recommendations. For details on results chain and their definitional issues see Policy Component Progress & Assessment Report (2019).

The following figure shows how the aforesaid advocacy framework relates with the policy results chain. For the purpose of the diagram a summary version of the results chain is provided.

Figure 3: Advocacy Framework and policy Results chain



The policy results chain (summarized above) has 21 steps between Step 1 Outcome level 1 and Step 5 Outcome level 3. The research design will discuss how this has been used to estimate progress made so far in relation to various recommendations.

It is worth noting that the regulators are influenced by **relatively stable parameters** (e.g. culture, constitution etc.), **short/medium term external events** (e.g. change in government, public opinion etc.) and finally the **internal project related activities** (e.g. research study, dissemination etc.). Also, the FSP and MSEs fall outside the scope of RC and the planned evaluation of how well the advocacy framework has worked and contributed to outcome levels.

Research Design

The stakeholder mapping exercise was an early sign of impact assessment (ESIA) or part of 'enhanced monitoring' of the BFP-B policy work (Spaven & Nielsen, 2017). The overall study design used qualitative methodologies, primarily key

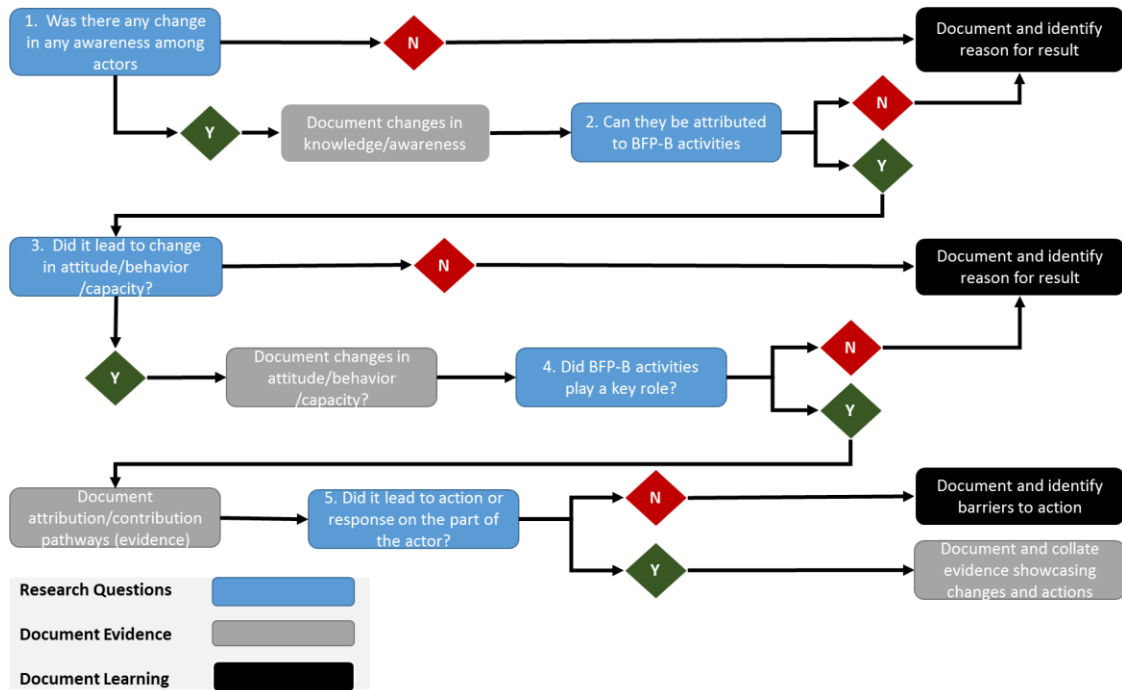
informant interview (KII) and systematic review of existing documentations (including project and government documentations/ publications) to create an evidence base. The questionnaires for the KIIs are provided in Annex I. The following is the list of the selected recommendations.

Table 1: List of Recommendations

PRIORITY	STUDY TITLE	KEY POLICY RECOMMENDATIONS
1	National Financial Inclusion Strategy (NFIS) of Bangladesh	Introduce NFIS Bangladesh
2	NFIS Implementation Plan with M & E Framework and Resource Plan	Detailed NFIS Implementation Plan with M & E Framework and Resource Plan
3	Innovative MSE Financing Products and Delivery Channels in Bangladesh: Opportunities and Challenges	Allowing NOC to experiment with innovative composite microinsurance products
4	Mobile Financial Services for MSEs in Bangladesh: Prospects and challenges	Develop guidelines on B2B account opening and MFS transaction limits
5	Mobile Financial Services for MSEs in Bangladesh: Prospects and challenges	Develop Interoperability Guideline
6	Review the SME Credit- related policies of Bangladesh Bank: Identify areas of further improvement by focusing on MSE Finance	Guideline on ME lending for MFIs
7	Mobile Financial Services for MSEs in Bangladesh: Prospects and challenges	Guideline on use of MFS by MFIs
8	Cluster and value chain financing for MSEs in Bangladesh: Current practices and what can be done	Guideline on Cluster & Value chain financing for MFIs

The following diagram shows the decision tree that was used while investigating project impact on policy change vis-à-vis the advocacy framework.

Figure 6: Research Plan



The study derived recommendation wise status update in line with the policy results chain; based on analysis using the above discussed advocacy framework. Through the Key informant interviews (KIIs), the study checked whether there is shift from **will** (capacity) to **action** (policy regulations), among the key regulators. The study reviewed:

- I. Current Status (July 2019): Recommendation prioritization by regulators took place in 2017-18, and so the present study reflects the current status (not baseline). Policy results chain has 21 steps, as mentioned before, and the current status provides percentage achieved so far, using following formula:

$$[X\%] = \frac{\text{Current Step}}{\text{Total Step in results chain (21)}} \times 100\%$$

- II. Forecasted Progress by end of project (Feb 2020); The figure provides percentage likely to be achieved by end using following formula :

$$[Y\%] = \frac{\text{Final likely step in Results Chain}}{\text{Total Step in results chain (21)}} \times 100\%$$

- III. Anticipated time required and likelihood to achieve final approval through circular/NOC/gazette notification (Step 21- Outcome level 3).
- IV. Identify dependencies i.e. activities/decisions/events that need to take place to realize aforesaid step

- V. Impact: As the Advocacy framework shows that work with the regulators affects the market actors, based on KII with market actors and regulators, we showcase how the recommendation may benefit the overall financial market systems

The changes were assessed for each of the actors outlined in the advocacy framework and those that fall within the scope of the present assessment i.e. influencers, regulators and to some extent the FSPs. In case of FSP, the focus was only be on the attitude and not necessarily actions/response as it may be too early for changes to materialize. Since policy change take time, FSP uptake (action) and MSEs impact (from awareness to action) were not covered under the study; however FSPs were interviewed to assess the immediate impact (realized and potential) of policy regulation.

In total, 24 KIIs were conducted with the previously mentioned several types of stakeholders as the following chart shows (the detailed list is available in Annex III).

Table 2: Sampling frame

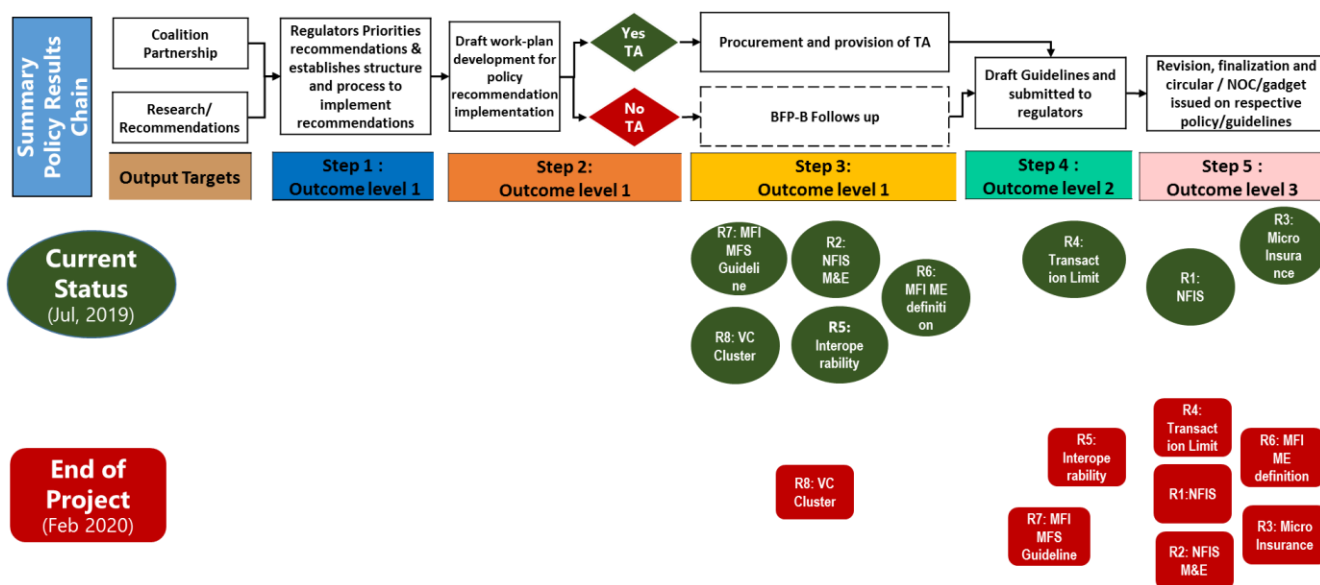
Bank	MFI	Insurance	MFS	Association	Coalition Partners	Research Firm	Regulators
2	8	1	2	1	4	1	5

Findings and Analysis

Summary results

The following figure shows the summary of the key findings i.e. the current status of the policy recommendations and their end of project forecasted status. This depicted in reference to the policy results chain (figure 3), which is aligned with

Figure 4: Recommendation Summary



the advocacy framework.

Based on above figure we see that all the recommendations have reached Outcome Level 1 (Step 3) by the time the present study was initiated. In line with the advocacy framework this implies that the regulator are already aware of the binding market constraints (Step 1 above) and as such have prioritized recommendations i.e. change in attitude/belief (step 2), as shown below²:

Awareness	Increased information & knowledge	Audience recognition that a problem exists or familiarity with a policy proposal/issue
Will	Changed attitudes or beliefs	Target audiences' feelings or affect about an issue or policy proposal.

At present majority of the recommendations are at step 3 (Outcome level 1) i.e. where the focus is on:

² For detail on the framework please review *Policy Advocacy Framework: Methodology Note on Stakeholder Mapping Research (May, 2019)*, by Consiglieri Private Limited

CAPACITY BUILDING & TECHNICAL ASSISTANCE

Increasing the capacity (through training, consultancy, coaching, or mentoring) of regulators to take action in support of a recommendation or provide TA support to regulatory institutions to bring about specific policy reforms

The following table provides the regulatory priority and likelihood of achieving BFP-B commitment, viz-a-viz the 8 recommendations:

Table 3: Regulatory priority and likelihood of achieving commitment

	Recommendations	Regulators	Priority (High/Medium/Low)	Status of BFP-B commitment
R1	Introduce NFIS Bangladesh	Bangladesh Bank	High	Very likely
R2	Detailed NFIS Implementation Plan with M & E Framework and Resource Plan	Bangladesh Bank	Medium	Likely
R3	Be flexible in allowing NOC to experiment with innovative composite micro-insurance products if said product has the potential to improve financial inclusion, particularly of the poor.	MRA & IDRA	Completed	Completed
R4	Operational guideline on B2B transactions and P2P transaction limits	Bangladesh Bank	Medium	Not sure
R5	Interoperability Guideline	Bangladesh Bank	Medium	Likely
R6	Develop guideline on Microenterprise Lending for MFIs	MRA	High	Not sure
R7	Develop MFS guidelines for MFIs	MRA	Low	Not sure
R8	Develop guideline for cluster and value chain financing for MFIs	MRA	Low	Not sure

High : Likely Completed by Feb' 2020 **Medium** : Likely Completed by Dec 2020 **Low** : Completion time beyond Dec 2020

Now that we have a clearer understanding of where individual recommendations are situated viz-a-viz regulatory priorities and their implication on achieving BFP-B policy objectives/ commitment, we next review recommendation wise detailed findings particularly around bottleneck, challenges, dependencies and likely impact on the sector.

Template and Recommendation wise findings

The following section provides the templates based on which, individuals recommendations, outlined in Table 1, will be showcased.

Recommendation (#): Title of Recommendation

Current Status
July 2019



- Policy results chain has 21 steps and this figure provides percentage achieved so far:

$$[X\%] = \frac{\text{Current Step}}{\text{Total Step in results chain (21)}} \times 100\%$$

- **Current status** in terms of Outcome Level (1,2,3) in policy RC
- Key activities currently being pursued

Project End Status
February 2020



- The figure provides percentage likely to be achieved by end :

$$[Y\%] = \frac{\text{Final likely step in Results Chain}}{\text{Total Step in results chain (21)}} \times 100\%$$

- **Likely status** in terms of Outcome Level (1,2,3) by end of project, in policy RC
- **Likelihood** (qualitative) of reaching aforementioned status
- **Original Commitment** in terms of % and RC (Steps)

Final Approval

- **Post Project Status: [Likelihood]** to be approved by **[specific time] subject to** (Dependency) **[specific activities]**
- It shows how strongly we feel the recommendation will be approved and by when- subject to what specific conditions being met

Likely Impact

- Based on KII with market actors and regulators, we showcase how the recommendation may benefit the overall financial market systems

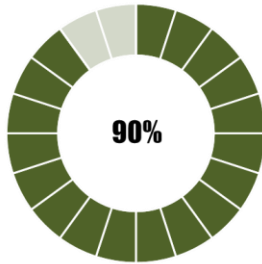
Scope for improvement

- Specify any scope for improvement(s), either in the recommendation itself or the process involved

Using the aforesaid template the following findings are provided per recommendations:

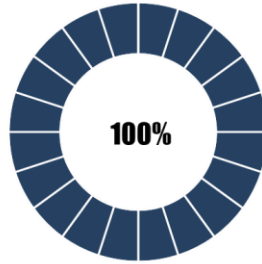
Recommendation 1: Introduce NFIS Bangladesh

Current Status
July 2019



- **Outcome Level 3**
- Currently incorporating feedback from inter-ministerial meeting (step 19)

Project End Status
February 2020



- **Outcome Level 3**
- By last quarter of 2019 will be sent to Cabinet for approval
- **Very likely** to be approved by Feb 2020 (Step 21)
- **Log frame Commitment: 90%** (Step 19)

Final Approval

- **Post Project Status: Very likely** to be approved by **Feb 2020** (step 21) **subject to** (Dependency) **no additional comments from cabinet**
- Implementation will start from Jan 2020 and target 2024 (according to regulators)

Likely Impact

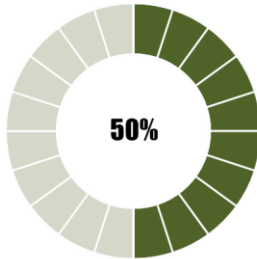
- Will promote digital transformation, create financial access, inclusion and diversify products
- Leveraging opportune window as Bangladesh is developing 10 year perspective plan and 8th Five year plan- NFIS is integrated with all national strategies.
- **At least 50% of the financial excluded will be included by 2024 (Regulator)**

Scope for improvement

- Too focused on Bank, MFS and DFS
- May include mechanism for reviewing target and other operational details

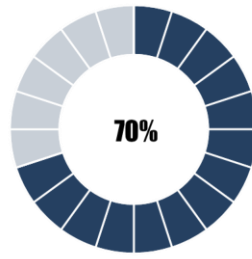
Recommendation 2: NFIS Implementation Plan

Current Status
July 2019



- **Outcome Level 1:** Currently TA is being provided for the development of framework (Step 10)

Project End Status
February 2020



- **Outcome Level 3**
- Once NFIS is approved (Reco. 1), the framework will become very important
- By end of project, the final guideline from BFP-B will be submitted (Step 15)
- **Log frame Commitment: 90%** (Step 18)

Final Approval

- **Post Project Status: Likely** to be approved by **June 2020** (Step 21) **subject to** (Dependency) **quick approval of NFIS (Reco. 1) & operationalization of NFIS Secretariat**
- Implementation of NFIS (Reco 1) will start from Jan 2020 along with Secretariat. This will be required and first task.

Likely Impact

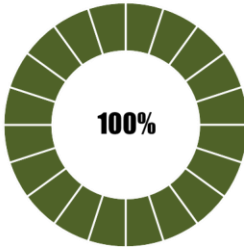
- It is crucial for the implementation and monitoring of progress for NFIS (Recommendation 1), so once NFIS is approved this will become a priority for approval (Regulator)
- **Key for accountability and transparency; ensuring implementation of NFIS**

Scope for improvement

- Could have been integrated with NFIS (Reco-1) but the risk could have been delay in approval of NFIS (Reco-1)

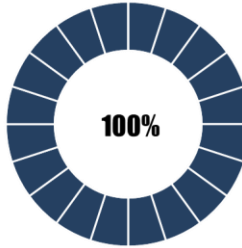
Recommendation 3: NOC to experiment with innovative composite micro-

Current Status
July 2019



- **Outcome Level 3**
- Already **Step 21** reached as NOC given by IDRA for Kashful, NDA and Progoti Insurance product (pilot conducted)

Project End Status
February 2020



- **Outcome Level 3**
- Already **Step 21** reached as NOC given by IDRA for Kashful, NDA and Progoti Insurance product (pilot conducted)
- **Log frame Commitment: 100%** (Step 21)

Final Approval

- **Post Project Status: In its current format the NOC has already been given (Step 21)**

Likely Impact

- Since the product design has been approved, other MFI/Insurance company can launch similar product and follow the regulatory protocols to seek IDRA approval

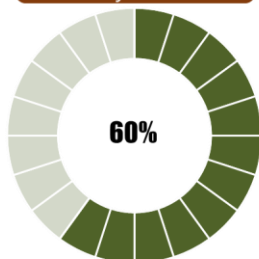
Scope for improvement

- Reinsurance is not part of the product design
- New regulations may be required to clarify whether MFI can reinvest the premiums from insurance; IDRA regulation allows Insurance companies to invest part of their fund in "others"
- Insurance companies need to show more ownership and take risk; they need to drive the intervention (Rather than INAFI or MFIs)

insurance products

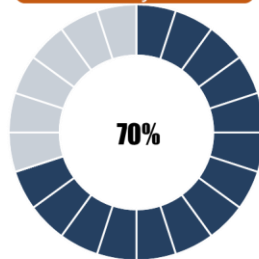
Recommendation 4: Guidelines for B2B transactions and P2P transaction limits

Current Status
July 2019



- **Outcome Level 1**
- TA provided; new suggestion entails focus on KYC with specific coverage on Women (Step 12)
- Transaction limit may not be changed

Project End Status
February 2020



- **Outcome Level 2**
- Transaction limit will not change for next 2 years
- TA augmented to also include KYC requirements
- Final reports to be submitted with KYC by end of project (Step 14)
- **Log frame Commitment: 70%** (Step 14)

Final Approval

- **Transaction limit already approved with evidence from BFP-B study;** will not change for next 2 years (Regulators)
- **Post Project Status:** New KYC guidelines is **likely** to be introduced by **June 2020, subject to** (Dependency) **augmentation of TA by BFP-B & approval by regulator**
- *Business account opening is still an issue as transaction limit not high enough. Registration also requires integration with NID database, which is still not seamless and there are tech constraints.*

Likely Impact

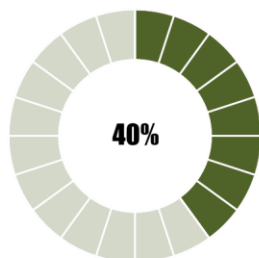
- Will facilitate greater MFS and DFS transaction
- Transaction limit was not significantly increased in order to ensure that such mechanism are not used for hundi or other illegal activities
- Modest increase in limit also ensures the business is not lucrative enough for it to be captured by local goons

Scope for improvement

- KYC work has already been incorporated in the revised TA based on demand from Bangladesh Bank; likely to promote inclusivity targeting women.

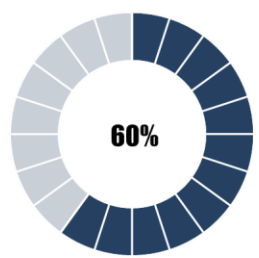
Recommendation 5: Interoperability Guideline

Current Status
July 2019



- **Outcome Level 1**
- TA TOR approved, currently procurement is ongoing (Step 8)

Project End Status
February 2020



- **Outcome Level 2**
- After procurement, by project end date TA report and draft guideline will be prepared and submitted (Step 12)
- **Log frame Commitment: 50%** (Step 11)

Final Approval

- By December 2019, technology/hardware will be in place and thus draft guidelines need to be in place (Regulator)
- By First Quarter 2020 they wish to launch interoperable system (Regulator)
- **Post Project Status: Likely** to be approved by **April 2020** (Step 21) **subject to** (dependency) **technology being in place as anticipated**

Likely Impact

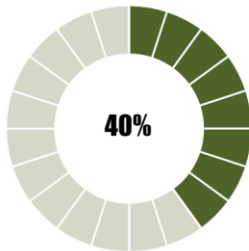
- Will increase adoption of MFS/DFS across consumer base (Demand Side)
- Likely to increase competition in the MFS space (Supply side)

Scope for improvement

- Some market actor feel that MFS market too volatile for MFS-MFS interoperability to start; concern for data protection and client privacy

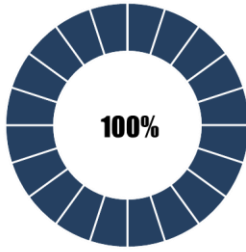
Recommendation 6: Guideline on Microenterprise Lending for MFIs (Definition of

Current Status
July 2019



- **Outcome Level 1**
- TA procurement ongoing (Step 9) for the support of developing guideline

Project End Status
February 2020



- **Outcome Level 3**
- Already formed committee with CDF and PKSf as member
- Draft guideline (by Oct 2019);
- They plan to get approved and guideline published (Step 21)
- **Log frame Commitment: 70%** (Step 15)

Final Approval

- ME definition and lending guideline is priority for MRA and they are expediting the process (including formation of committee)
- **Post Project Status: Likely** to be approved **by Feb 2020, subject to (Dependency) no major comments from committee & subsequently MRA board.**

Likely Impact

- Ensures proper targeting by MFIs (avoids mission drift)
- Ensures regulatory transparency (as currently MRA uses ad-hoc definition)
- Creates level playing field between big and small MFI

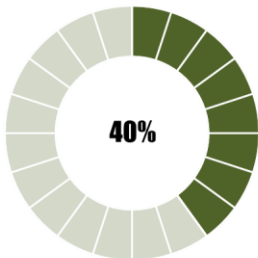
Scope for improvement

- Mechanism must be in place to ensure definition is reviewed every 2-3 years latest
- ME definition can be further disaggregated to ME, cottage, micro and Small enterprise.

ME)

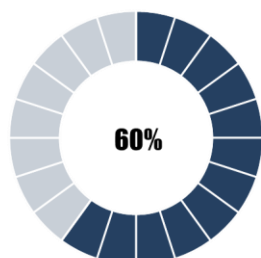
Recommendation 7: Develop MFS guidelines for MFIs

Current Status
July 2019



- **Outcome Level 1**
- Draft TOR is being submitted by BFP-B to MRA (Step 8)

Project End Status
February 2020



- **Outcome Level 2**
- This will take time and may include pilot
- There has been mixed results
- A draft guideline as part of consultant report to be submitted (Step 12)
- **Log frame Commitment: 60%** (Step 12)

Final Approval

- While digitization is the future; mixed results exists for DFS/MFS for MFI
- Debate between Hi-touch and High Tech (MFS), risk of falling recovery rate
- MRA as regulator needs to have more info to issue guideline
- **Post Project Status: Not Sure** (requires extensive piloting)

Likely Impact

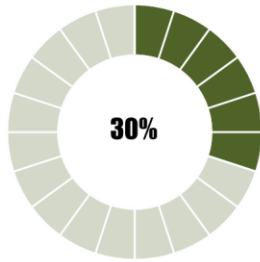
- Guideline may clarify who can be agent (MFI) and who bears the commission for cash-out
- Facilitate uptake of DFS/MFS by MFI clients (over 20 million)
- Increase security, reduce staff mal-practice and allow MFIs to focus on social goal rather than fund collection

Scope for improvement

- MFS uptake can only be triggered if there is overall digital ecosystem

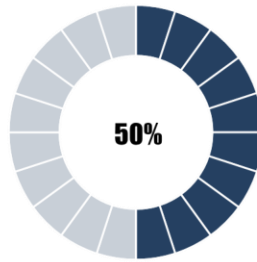
Recommendation 8: Guideline for cluster and value chain financing for MFIs

Current Status
July 2019



- **Outcome Level 1**
- TOR is yet to be developed; there has been agreement that BFP-B will provide TA (Step 6)

Project End Status
February 2020



- **Outcome Level 1**
- It is anticipated by end of the project TOR will be finalized and TA will be provided by consultant (Step 10)
- **Log frame Commitment: 50%** (Step 11)

Final Approval

- Not a key priority of MRA at this moment
- PKSf has experience and can share with MRA
- **Post Project Status : Not Sure** (requires more discussion and conceptualization with stakeholders).

Likely Impact

- MRA may offer guidelines as to how MFI can be facilitator in supporting cluster

Scope for improvement

- Cluster development requires lots of money, bank are better at serving than MFI.
- Guideline should take in to account power relation; Clusters development lead to association formation which may become political and in absence of legal framework, MFI has less power to recover loan

The aforesaid section provides some of the key recommendation specific outcome and learning. The following section provides some of the key overall learning from the assessment

Key Learning

Project Specific

- Policy projects must have longer time horizon; typically 1.5 year goes in to start-up and approval (3 years not enough for policy reform). Sufficient time must be given, to champion the recommendations and get it approved
- Cumbersome decision making and regulatory process (multiple committees and board approval) requiring multiple rounds of feedback , which takes time and creates delays

Regulations Process

- Mechanism and process must be in place which ensures regulation/guidelines are updated regularly, at least once in 3 years (e.g. ME Definition)
- PKSF can withstand criticism rather than MRA; they can play complimentary role rather than competitive. Where PKSF can pilot and then MRA can create regulation (E.g. Cluster development).

MRA Specific

- MRA should invest in a facility like BB did with BIBM to train next generation of MFI staff and be ready to face the challenge to the sector
- Sector specialist with extensive MFI experience need to be present in MRA either in board or staff.
- CIB terminologies are too bank specific, e.g. financial ratios; they need to be aligned with MFI practice;
- MRA guidelines use financial ratio to check health applicable to banks rather than MFI and such metrics also directs MFIs to become more commercial.

Regulators Attitude

- Regulators must focus on facilitation and creating private sector conducive inclusive growth and not to control and police (shift in attitude); BFP-B designed too focused on engaging regulators rather than supporting associations/ trade body to bring about change (Coalition) and form/manage opinion
- Space for dialogue between MRA and MFIs can be broaden; MRA should represent the industry and collaborate with CDF to create collective vision for the entire sector
- Policy makers should consult trade body and association during implementation not only during formulation

Regulations

- Recommendations to focus on supply side rather than demand side creation to improve usage. E.g. Financial literacy of customer is key – public bank may take up this role as they are not just profit centered- BB can instruct them
- Financial literacy tools must be age and generation appropriate for effectiveness
- Trade license for merchant must be relaxed (low fee, onetime fee etc); for manufacturing they need environmental certificate, which is very difficult to secure. Thus targeting ME is issue for Bank- there is a need for relaxed or flexible KYC. Need digital documentation law to make it easier to register – current KYC process is too paper heavy

Reform and International Experience

Policy reforms is a time consuming process, which requires progressing through significant bureaucratic entanglement and red-tapism. This is especially true for Bangladesh; the following table shows historical trend across key governance indicators.

Table 4: Worldwide Governance Indicators (WGI) - Bangladesh

Period	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
1996-2000	-0.57	-0.86	-0.91	-0.93
2001-2005	-0.79	-1.02	-0.99	-1.42
2006-2010	-0.76	-0.91	-0.81	-1.13
2011-2015	-0.77	-0.90	-0.81	-0.9
2016-2018	-0.71	-0.80	-0.67	-0.84

Note: All figure ranges between -2.5 (weak) to +2.5 (strong) across all indicators. The indicators are perception base.

- Government Effectiveness reflects the perception regarding the quality of public and civil service including policy formulation, issues around corruption etc.
- Regulatory Quality refers to the perception that government can create effective private sector conducive policies.
- Rule of Law focuses on the confidence citizens have about rule of law including property rights, contract enforcement etc.
- Control of Corruption focuses on the perceive level of corruptions including regulatory capture.

For detail see World Bank (2018).

Across the parameters, Bangladesh governance indicators are extremely concerning and poor; overall effectiveness has relatively worsen over the period 1996-2018. Similarly regulatory quality has not improved meaningfully. Therefore it goes without saying that triggering or facilitating regulatory reform in Bangladesh context will be challenging.

However this scenario is not unique to Bangladesh or BFP-B. Other regulatory reform or business enabling environment projects/programmes have also had

FSD Kenya (DFID flagship project) worked with regulators and market actors in the savings and credit cooperatives (sacco) sector since 2006.

Between 2006 and 2015 they invested over USD 3.6 million in providing to regulators, market actors, conducting research etc. Despite these efforts “in 2015 an external review of the sacco sub-sector and of FSD Kenya’s role within it reported little positive change.”

SOURCE: THE ART OF MARKET FACILITATION: LEARNING FROM THE FINANCIAL SECTOR DEEPENING NETWORK. (LEDGERWOOD, 2017). FSD AFRICA
FSD KENYA : TEN YEARS OF A MARKET SYSTEMS APPROACH IN THE KENYAN FINANCE MARKET (GIBSON, 2016). FSD AFRICA AND SPRINGFIELD CENTRE, UK

“The ultimate impact of BER often takes time to be realized and measured.” Business Enabling Reform may take 3-5 years to realize full impact

Source: Supporting Business Environment Reforms: Practical Guidance for Development Agencies (DCEP 2013)

Working with and through national stakeholders is often challenging and time-consuming. ENABLE 2 (five year DFID funded BER project) was build on the success of phase I (4.5 years phase 1)

Source: Enhancing Nigerian Advocacy for a Better Business Environment (ENABLE) by Gareth Davies (PPD, 2011) and Business Case for ENABLE II, DFID UK

similar experience.

In view of this it is not entirely surprising that not all the recommendations identified by BFP-B were prioritized by the government. In addition, given political economy, the uptake of various recommendations and consequent reforms are likely to be variedly paced.

Way Forward

The present study is a status update and an early sign of impact assessment. It was intended for stock taking purpose and to inform the management in terms immediate trajectory and likelihood of meeting programme goals. It was not intended as a full-fledged impact assessment, even though some potential impact were covered and challenges identified, including a brief international comparative analysis.

The present study will act as a baseline for project end policy evaluation, which is tentatively is likely to take place around November-December. It is envisaged that findings from the present study will be used as baseline for the assessment. In the end-line assessment, counterfactual analysis will be carried out and estimated impact at ME level will be forecasted per recommendation. The end line assessment will not only provide confirmation or validation of current findings but will also be used to estimate plausible attributable/contributable total impact due to BFP-B policy work.

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ANNEX I: CHECKLIST SET FOR POLICY STUDY KIIS

Checklist for Regulators and Key Activators (R1 & R2)

Name of the respondent

Designation

Department

Organization

Mobile no.

Date

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1. In your opinion what are the constraints in making access to finance easier in Bangladesh for the MSEs and increase financial inclusion of the people who are currently excluded? (an icebreaking question to start the discussion)
 2. Are you aware of the NFIS? If so, how this strategy was formulated?
 3. How did this policy come into active consideration of the regulators and key activators?
 4. In what capacity did BFP-B help Government to prepare NFIS?
 5. What is the stand of your organization on the NFIS? Do you agree or disagree please provide rationale?
 6. Do you think that the NFIS is necessary and practical? Why or why not?
 7. What is the update on NFIS submission? What progress has it made till date? When are you making this available to general people?
 8. When is the cabinet expected to finalize this strategy?
 9. How the NFIS can be implemented?
 10. Who is preparing the NFIS implementation plan? Government itself or any organization?
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11. What is the update on NFIS implementation plan with M&E framework?
 12. What steps/ initiatives have your organizations taken till date to facilitate the NFIS implementation? Document 3 steps/initiatives
 13. How effective were those steps/ initiatives?
 14. What are the most important initiatives taken by your organization to expedite the process of finalizing NFIS?
 15. Does your organization have the required capacity to implement the strategy? If yes, how do you intend to implement that? If not, what sort of additional capacity is required? What is your plan on gathering that?
 16. Has BFP-B provided any technical assistance in implementing the policy? If yes, what are those technical assistance?
 17. How effective are those technical assistance? In which manner? What else could be done?
 18. What roles are the other stakeholders to play in implementing the strategy?
 19. How willing are the other stakeholders towards this strategy? If not willing, why not?
 20. What steps they have taken in implementing the strategy?
 21. How do you envision their future steps in implementing the strategy?
 22. What are the issues that hinder the progress of the strategy implementation for those organizations?
 23. What are the main issues which hinder the progress of the implementation process? (Document top 3 issues)
 24. How do you envision the future progress of the process (intended to stimulate short, medium and long-term changes and outcome to achieve the overall goal/impact of financial inclusion)?
 25. After BFP-B hands over the NFIS implementation plan, how long do you think it will take to submit it to cabinet?
 26. What will be the changes that your organization will bring in future to implement the strategy?
 27. What will be the impact on the FSPs, once the strategy is implemented?
 28. What will be the impact on the MSEs, once the strategy is implemented?
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- 29. What do you think is the contribution of BFP-B in facilitating the NFIS?**
- 30. If applicable, what is your organization's plan to create awareness among the people about the changes in the strategy?**
- 31. How the changes will come about- issue circular/NOC/gadget/rules/regulations?**
- 32. Do you feel the necessity of any further change to the policy? What are those?**
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Checklist for Other Stakeholders (R1 & R2)

Name of the respondent

Designation

Department

Organization

Mobile no.

Date

1. In your opinion what are the constraints in making access to finance easier in Bangladesh for the MSEs and increase financial inclusion of the people who are currently excluded? (an icebreaking question to start the discussion)
 2. Do you know that the government is preparing the NFIS? If yes, how did you get to know?
 3. Do you know who is helping government to prepare this strategy?
 4. Are you aware of the details of NFIS? If so, how these strategies were formed?
 5. What is the stand of your organization on the proposed policy? Do you agree or disagree please provide rationale?
 6. How did you become aware of this?
 7. Do you think that the proposed policy is necessary and practical? Why or why not?
 8. What is the update of the policy? What progress has it made till date?
 9. What is your role to support regulators in implementing this strategy?
 10. How do you intend to work with BFP-B to implement this policy, if at all?
 11. What are the main issues which hinder the progress of the implementation process? (Document top 3 issues)
 12. How do you envision the future progress of the process (intended to stimulate short, medium and long-term changes and outcome to achieve the overall goal/impact of
-

financial inclusion)?

13. What will be the changes that your organization will bring in future to implement this policy?

14. How would you advocate your organization to practice the policy?

15. What will be the impact on the FSPs of this policy?

16. What will be the impact on the MSEs of this policy?

17. What contribution of BFP-B that you've observed till date in facilitating the policy, if at all?

18. If applicable, what is your organization's plan to create awareness among the people about the policy?

19. Do you feel the necessity of any further change to the policy? What are those?

20. If applicable, how will your organization respond to the policy change?

Checklist for Regulators and Key Activators (R3)

Name of the respondent

Designation

Department

Organization

Mobile no.

Date

1. In your opinion what are the constraints in making access to finance easier in Bangladesh for the MSEs and increase financial inclusion of the people who are currently excluded? (an icebreaking question to start the discussion)
 2. Are you aware of any changes that have been proposed to policy in composite microfinance area? If so, where have these proposed changes come from?
 3. How did this change come into active consideration of the regulators and key activators?
 4. What is your view about innovative composite micro-insurance products in the context of Bangladesh?
 5. What is the stand of your organization on the proposed policy change? Do you agree or disagree please provide rationale?
 6. Do you think that the proposed changes are necessary and practical? Why or why not?
 7. What is the update on the proposed changes? What progress has it made till date?
 8. Do you know about any pilot initiative of BFP-B on composite insurance product? if yes, do you know about IDRA's role in allowing to experiment such product?
 9. How the proposed changes can be implemented?
 10. What steps/ initiatives have your organizations taken till date to facilitate the
-

changes?

Document 3 steps/initiatives

11. How effective were those steps/ initiatives?

12. How did BFP-B help to experiment with composite products?

13. What do you think are the constraints to experiment with such composite products?

14. Does your organization have the required capacity to implement the change? If yes, how do you intend to implement the changes? If not, what sort of additional capacity is required? What is your plan on gathering that?

15. Has BFP-B provided any technical assistance in implementing the policy changes? If yes, what are those technical assistance?

16. How effective are those technical assistance? In which manner? What else could be done?

17. What are the other stakeholders to play a role in implementing the changes? What are their roles?

18. How willing are the other stakeholders towards this change? Why?

19. What steps they have taken in implementing the policy?

20. How do you envision their future steps in implementing the policy?

21. What are the issues that hinder the progress of the policy change implementation for those organizations?

22. What are the main issues which hinder the progress of the implementation process? (Document top 3 issues)

23. How do you envision the future progress of the process (intended to stimulate short, medium and long-term changes and outcome to achieve the overall goal/impact of financial inclusion)?

24. What will be the changes that your organization will bring in future to implement the changes?

25. What will be the impact on the FSPs due to this work?

26. What will be the impact on the MSEs due to this work?

27. Do you think that the MFIs and insurance are ready to implement such composite products? If so, how?

-
28. What do you think is the contribution of BFP-B in facilitating this changes?
29. If applicable, what is your organization's plan to create awareness among the people about the changes in the policy?
30. How the changes will come about- issue circular/NOC/gadget/rules/regulations?
31. Do you feel the necessity of any further change to the policy? What are those?
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Checklist for Other Stakeholders (R3)

Name of the respondent

Designation

Department

Organization

Mobile no.

Date

-
1. In your opinion what are the constraints in making access to finance easier in Bangladesh for the MSEs and increase financial inclusion of the people who are currently excluded? (an icebreaking question to start the discussion)
2. Are you aware of any changes that have been proposed to policy in composite micro-insurance area? If so, where have these proposed changes come from?
3. What are the regulatory constraints to receive NOC for experimenting with composite products?
4. What regulations needs to be changed or improved to facilitate NOCs for composite products?
5. What is the stand of your organization on the proposed policy change? Do you agree or disagree please provide rationale?
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6. How did you become aware of this?
 7. Do you think that the proposed changes are necessary and practical? Why or why not?
 8. What is the update on the proposed changes? What progress has it made till date?
 9. What is your role to support regulators in implementing these changes?
 10. How do you intend to work with BFP-B to facilitate these changes, if applicable?
 11. What are the main issues which hinder the progress of the implementation process? (Document top 3 issues)
 12. How do you envision the future progress of the process (intended to stimulate short, medium and long-term changes and outcome to achieve the overall goal/impact of financial inclusion)?
 13. What will be the changes that your organization will bring in future to implement the changes?
 14. How would you advocate your organization to practice the changes?
 15. What will be the impact on the FSPs of this policy change?
 16. What will be the impact on the MSEs of this policy change?
 17. What contribution of BFP-B that you've observed till date in facilitating the changes in the policy?
 18. If applicable, what is your organization's plan to create awareness among the people about the changes in the policy?
 19. An NOC was achieved for a project. Do you know who helped the process and how?
 20. Do you feel the necessity of any further change to the policy? What are those?
 21. If applicable, how will your organization respond to the policy change?
-

Checklist for Regulators and Key Activators (R4 & R5)

Name of the respondent

Designation

Department

Organization

Mobile no.

Date

- 1. In your opinion what are the constraints in making access to finance easier in Bangladesh for the MSEs and increase financial inclusion of the people who are currently excluded? (an icebreaking question to start the discussion)**
 - 2. Are you aware of any changes that have been proposed to policy in the mobile financial services area? If so, where have these proposed changes come from?**
 - 3. How did this change come into active consideration of the regulators and key activators?**
 - 4. What is the stand of your organization on the proposed policy change?**
 - 5. Do you think that the proposed changes are necessary and practical? Why or why not?**
 - 6. What is the update on the proposed changes? What progress has it made till date?**
 - 7. How the proposed changes can be implemented?**
 - 8. What steps/ initiatives have your organizations taken till date to facilitate the changes?**
Document 3 steps/initiatives
 - 9. How effective were those steps/ initiatives?**
 - 10. Are you aware of the guideline on Deep-drive analysis of Mobile Financial Services (MFS) Transaction Data'?**
-

-
11. What was the basis of preparing this guideline?
 12. Is Bangladesh Bank making this guideline by themselves?
 13. Do you think that anyone else had any role to develop this guideline?
 14. When do you think the guideline can be published?
 15. Are you aware of guideline on Interoperability for MFS, DFS and banks?
 16. What was the basis of preparing this guideline?
 17. Is Bangladesh Bank making this guideline by themselves?
 18. Do you think anyone else had any role to develop this guideline?
 19. When do you think the guideline can be published?
 20. Does your organization have the required capacity to implement the change? If yes, how do you intend to implement the changes? If not, what sort of additional capacity is required? What is your plan on gathering that?
 21. Has BFP-B provided any technical assistance in implementing the policy changes? If yes, what are those technical assistance?
 22. How effective are those technical assistance? In which manner? What else could be done?
 23. What are the other stakeholders to play a role in implementing the changes? What are their roles?
 24. How willing are the other stakeholders towards this change? Why?
 25. What steps they have taken in implementing the policy?
 26. How do you envision their future steps in implementing the policy?
 27. What are the issues that hinder the progress of the policy change implementation for those organizations?
 28. What are the main issues which hinder the progress of the implementation process? (Document top 3 issues)
 29. How do you envision the future progress of the process (intended to stimulate short, medium and long-term changes and outcome to achieve the overall goal/impact of financial inclusion)?
 30. What will be the changes that your organization will bring in future to implement the changes?
 31. What will be the impact on the FSPs of this policy change?
-

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32. What will be the impact on the MSEs of this policy change?
 33. What contribution of BFP-B that you've observed till date in facilitating the policy change, if at all?
 34. If applicable, what is your organization's plan to create awareness among the people about the changes in the policy?
 35. How the changes will come about- issue circular/NOC/gadget/rules/regulations?
 36. Do you feel the necessity of any further change to the policy? What are those?
-

Checklist for Other Stakeholders (R4 & R5)

Name of the respondent

Designation

Department

Organization

Mobile no.

Date

1. In your opinion what are the constraints in making access to finance easier in Bangladesh for the MSEs and increase financial inclusion of the people who are currently excluded? (an icebreaking question to start the discussion)
 2. Are you aware of any changes that have been proposed to policy in Mobile Financial Services area? If so, where have these proposed changes come from?
 3. What is the stand of your organization on the proposed policy change?
 4. How did you become aware of this change?
 5. Do you think that the proposed changes are necessary and practical? Why or why not?
-

-
6. What is the update on the proposed changes? What progress has been made till date?
 7. What is your role to support regulators in implementing these changes?
 8. How do you intend to work with BFP-B to facilitate these changes, if at all?
 9. Do you know about PSD working on increasing MFS transaction limit and B2B account opening?
 10. Do you know about any organization who is working with Bangladesh Bank PSD on this?
 11. Are you aware that PSD is preparing a guidelines on MFS transaction limit and B2B account opening?
 12. What are the constraints in MFS transaction limit and B2B account opening?
 13. What initiatives are you expecting from Bangladesh Bank PSD to take to mitigate these constraints?
 14. Do you know that PSD is working on creating interoperable platforms across MFS, DFS and banks?
 15. Do you know about any organization who is working with Bangladesh Bank PSD on this?
 16. Are you aware that PSD is preparing a guidelines on interoperability of MFS, DFS and Banks?
 17. What are the constraints in interoperability across MFS/DFS and banks?
 18. What initiatives are you expecting Bangladesh bank PSD to take to mitigate these constraints?
 19. What are the main issues which hinder the progress of the implementation process? (Document top 3 issues)
 20. How do you envision the future progress of the process (intended to stimulate short, medium and long-term changes and outcome to achieve the overall goal/impact of financial inclusion)?
 21. What will be the changes that your organization will bring in future to implement the changes?
 22. How would you advocate your organization to practice the changes?
 23. What will be the impact on the FSPs of this policy change?
-

24. What will be the impact on the MSEs of this policy change?

25. What contribution of BFP-B that you've observed till date, in facilitating the changes in the policy?

26. If applicable, what is your organization's plan to create awareness among the people about the changes in the policy?

27. Do you feel the necessity of any further change to the policy? What are those?

Checklist for Regulators and Key Activators (R6, R7 & R8)

Name of the respondent

Designation

Department

Organization

Mobile no.

Date

1. In your opinion what are the constraints in making access to finance easier in Bangladesh for the MSEs and increase financial inclusion of the people who are currently excluded? (an icebreaking question to start the discussion)
 2. Are you aware of any changes that have been proposed to policy in MFI area? If so, where have these proposed changes come from?
 3. What do you think about the micro enterprise lending processes of the MFIs?
 4. What is the current status of MFIs and microenterprise lending?
 5. What initiatives needs to be undertaken to enhance microenterprise lending?
 6. Are you aware of MRA preparing a guideline on Microenterprise lending for MFIs?
 7. Did you think anyone else had any role to develop this guideline?
 8. What do you know about MFIs who are using MFS? Please share names of MFIs who are using MFS?
 9. Does current regulation of MRA allow MFIs to use MFS to deliver services to their clients?
 10. What regulatory initiatives need to be taken to ensure use of MFS by MFIs?
 11. Do you think that MFIs can partner with MFS provider for loan disbursement and repayment as well as deposit collection?
 12. Are you aware that MRA is developing a guideline on usage of MFS by MFIs?
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-
13. Do you know of any organization working with MRA to develop this?
 14. Are you aware that MFIs provide loans to different clusters and value chain actors? Can you share some examples?
 15. Does current regulation of MRA allow MFIs to finance clusters and value chain actors to identify clients, develop products and manage risks?
 16. What regulatory initiatives need to be taken to promote cluster & value chain financing of MFIs?
 17. Are you aware that MRA is developing a guideline on cluster & value chain financing of MFIs?
 18. Do you know of any organization who is working with MRA to develop this guideline?
 19. How did this change come into active consideration of the regulators and key activators?
 20. What is the stand of your organization on the proposed policy change?
 21. Do you think that the proposed changes are necessary and practical? Why or why not?
 22. What is the update on the proposed changes? What progress has it made till date?
 23. How the proposed changes can be implemented?
 24. What steps/ initiatives have your organizations taken till date to facilitate the changes?
Document 3 steps/initiatives
 25. How effective were those steps/ initiatives?
 26. Does your organization have the required capacity to implement the change? If yes, how do you intend to implement the changes? If not, what sort of additional capacity is required? What is your plan on gathering that?
 27. Has BFP-B provided any technical assistance in implementing the policy changes? If yes, what are those technical assistance?
 28. How effective are those technical assistance? In which manner? What else could be done?
-

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- 29. What are the other stakeholders to play a role in implementing the changes?
What are their roles?**
- 30. How willing are the other stakeholders towards this change? Why?**
- 31. What steps they have taken in implementing the policy?**
- 32. How do you envision their future steps in implementing the policy?**
- 33. What are the issues that hinder the progress of the policy change implementation for those organizations?**
- 34. What are the main issues which hinder the progress of the implementation process? (Document top 3 issues)**
- 35. How do you envision the future progress of the process (intended to stimulate short, medium and long-term changes and outcome to achieve the overall goal/impact of financial inclusion)?**
- 36. What will be the changes that your organization will bring in future to implement the changes?**
- 37. What will be the impact on the FSPs of this policy change?**
- 38. What will be the impact on the MSEs of this policy change?**
- 39. What contribution of BFP-B that you've observed till date in facilitating the changes in the policy?**
- 40. If applicable, what is your organization's plan to create awareness among the people about the changes in the policy?**
- 41. How the changes will come about- issue circular/NOC/gadget/rules/regulations?**
- 42. Do you feel the necessity of any further change to the policy? What are those?**
-

Checklist for Other Stakeholders (R6, R7 & R8)

Name of the respondent

Designation

Department

Organization

Mobile no.

Date

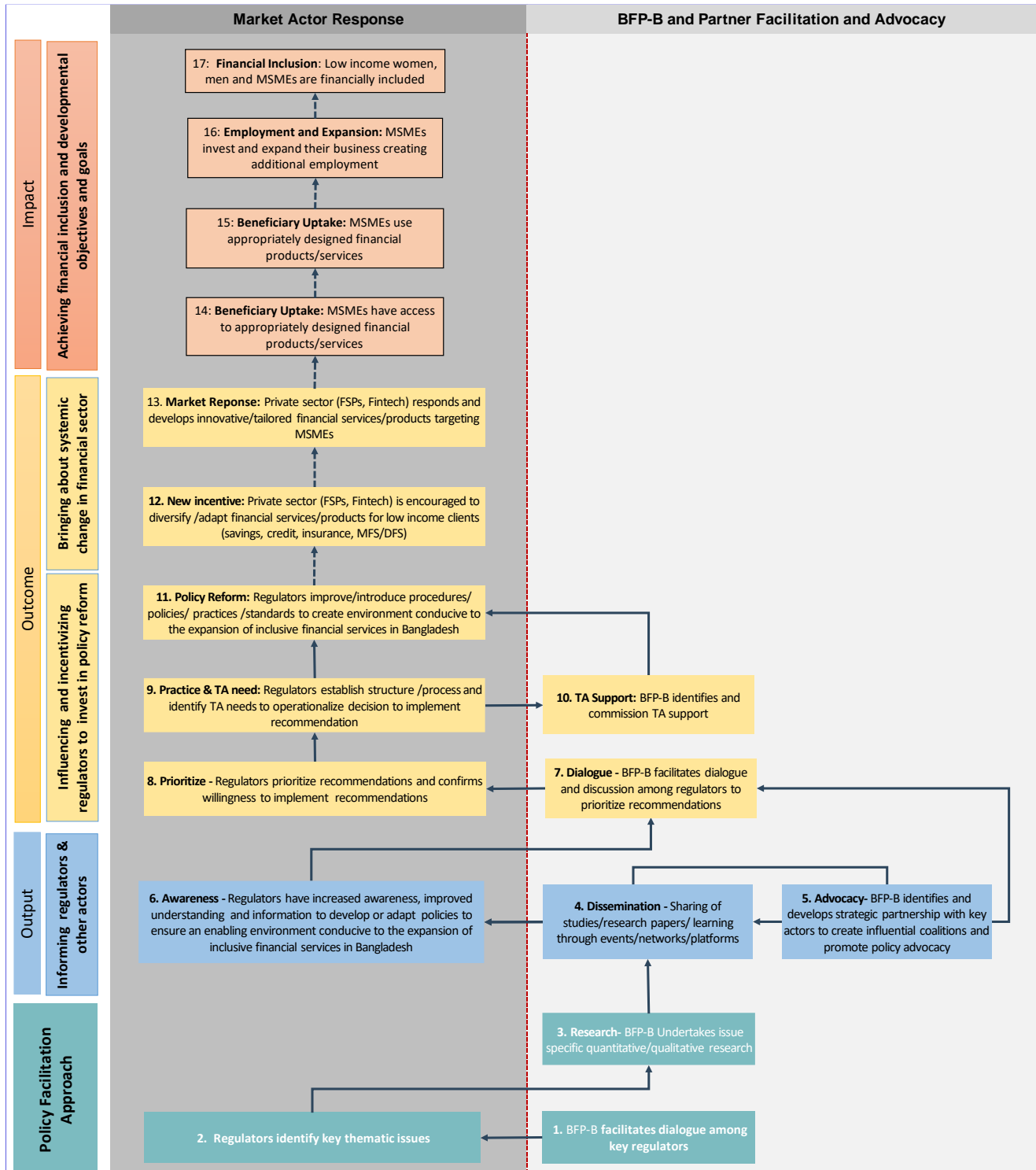
1. In your opinion what are the constraints in making access to finance easier in Bangladesh for the MSEs and increase financial inclusion of the people who are currently excluded? (an icebreaking question to start the discussion)
 2. Are you aware of any changes that have been proposed to policy in MFI area? If so, where have these proposed changes come from?
 3. What is the stand of your organization on the proposed policy change?
 4. How are you aware of this?
 5. Do you think that the proposed changes are necessary and practical? Why or why not?
 6. What is the update on the proposed changes? What progress has it made till date?
 7. What is your role to support regulators in implementing these changes?
 8. How do you intend to work with BFP-B to facilitate these changes?
 9. What are the regulatory constraints in microenterprise lending and what needs to be done?
 10. What initiatives are you expecting MRA to take to mitigate this constraints?
 11. What role can MRA play for Microenterprise lending?
 12. Are you aware that MRA is preparing a guideline on Microenterprise lending for MFIs?
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13. Do you know of any organization who is working with MRA to develop this guideline?
 14. What are the regulatory constraints in MFIs using MFS and what needs to be done?
 15. What initiatives are you expecting MRA to take to mitigate this constraints?
 16. What role can MRA play to promote use of MFS by MFIs?
 17. Are you aware that MRA preparing a guideline on usage of MFS by MFIs?
 18. Do you know of any organization who is working with MRA to develop this guideline?
 19. What are the regulatory constraints in MFIs providing loans to different clusters and value chain actors?
 20. What initiatives are you expecting MRA to take to mitigate this constraints?
 21. What role can MRA play to promote use of cluster & value chain financing by MFIs?
 22. Are you aware that MRA preparing a guideline on cluster & value chain financing of MFIs?
 23. Do you know of any organization who is working with MRA to develop this guideline?
 24. What are the main issues which hinder the progress of the implementation process? (Document top 3 issues)
 25. How do you envision the future progress of the process (intended to stimulate short, medium and long-term changes and outcome to achieve the overall goal/impact of financial inclusion)?
 26. What will be the changes that your organization will bring in future to implement the changes?
 27. How would you advocate your organization to practice the changes?
 28. What will be the impact on the FSPs of this policy change?
 29. What will be the impact on the MSEs of this policy change?
 30. What contribution of BFP-B that you've observed till date in facilitating the changes in the policy?
 31. If applicable, what is your organization's plan to create awareness among the
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people about the changes in the policy?

32. Do you feel the necessity of any further change to the policy? What are those?

ANNEX II: POLICY THEORY OF CHANGE³



Level 1 to level 2: Informing regulators & other actors

³ Adapted from Policy Theory of Change (2019). Summary note for BFP-B by Consiglieri Private Limited

The finalized report is widely disseminated among financial stakeholders and regulators. Targeted and demand driven research can change the mind-set and perception of decision makers/regulators. The thematic researches are used to form new insights, frame issues in a new light and stimulate debates that in turn persuades others to change their behavior. Since the researches undertaken by BFP-B are pre-approved and commissioned by PAC, it ensures that the researches specifically addresses binding constraints faced by regulators and is therefore demand driven, ensuring greater likelihood of uptake.

BFP-B also forms strategic partnership with other key stakeholders in the market (e.g. PKSF, UNCDF etc), who bring additional credibility and strengthen advocacy; this ensures that regulators receive same information and consistent message on the issue across multiple sources. Thus BFP-B will identify and deliberately make alliances with influential coalition's networks to advocate for change.

The recommendations in the researches will be actionable and, therefore, can realistically be met with applicable solutions. However evidence⁴ shows that researches alone may not lead to the use of the data and information by decision-makers and uptake of policy reform. As such, regulators must be recognized as political agents and incentivized to invest in policy reform.

Level 1 & 2 to level 3: Influencing and incentivizing regulators to invest in policy reform

An underlying constraint in underdeveloped financial markets that prevent decision makers from utilizing the research findings is that regulators and other policy makers—often face capacity limitations. These include insufficient or inexperienced staff and lack of knowledge or understanding of the market or technology. Building sustainable and inclusive financial markets may require building the capacity of these actors on specific topics or provide consultancy/TA support to be able to have improved knowledge and skills to formulate appropriate policy guidelines/standards/practices that address market constraints.⁵

In addition the project will identify and work with institutional champions to ensure uptake of reform agenda; having high-level opinion leaders and champions among regulators, and experienced staff that have knowledge or understanding of the market, increases dialogue and debate within and between policymaking institutions and private sectors actors about market barriers to appropriate delivery of products and services.

Level 1, 2 and 3 to level 4: Bringing about systemic change in financial sector

With increased high-level political push and increased dialogue and debate within and between policymaking institutions and private sectors actors, the regulatory institutions will change their behavior and practices. This will include

⁴ Ibid

⁵ M. El-Zoghbi and K. Lauer. 2014. "Facilitating the Market for Capacity Building Services." Focus Note 97. Washington, D.C.: CGAP, August

developing or amending current policies, guidelines, practices and regulations, or where appropriate and they exist, to improve on supervision and implementation. The improved and more responsive policy and regulatory environment will bring about a shift in the incentive regime - smart policies that provide an enabling environment for businesses will incentivize significant new private sector resources into the sector. The policy and regulatory environment will encourage FSPs to invest and introduce improved or new business models and technologies into the market. This will lead to increased competition for customers, increase segmentation of product and services and drive down prices for end-beneficiaries.

Level 1, 2, 3, 4 to level 5: Achieving financial inclusion and development objectives

With financial deepening (increased number, diversity and affordability of appropriate products and services that meet the needs of low-income consumers, micro-entrepreneurs, and small and medium business, especially women) the people will, in turn, also have increased access and usage of these products and services. Evidence suggests that there is a direct relationship between increased access and usage of financial services and products to increased income⁶. Evidence also suggests that there is a direct positive relationship between financial deepening and employment.⁷ Thus financial inclusion through policy component activities will lead to increased income for households, MSMEs and expanding employment opportunities.

⁶ In Thailand, financial liberalization and the consequent increase in access to credit services can explain the fast GDP per capita growth, rapid poverty reduction in Giné, Xavier, and Robert M. Townsend. (2004). 'Evaluation of Financial Liberalization: A General Equilibrium Model with Constrained Occupation Choice'. *Journal of Development Economics* 74, 269–307.

⁷ Ayyagari, M., A. Demirgüç-Kunt, and V. Maksimovic 2011. 'Small vs. Young Firms across the World Contribution to Employment, Job Creation, and Growth'. The World Bank, Development Research Group, Finance and Private Sector Development Team. April.

ANNEX III: LIST OF ACTORS INTERVIEWED

#	Type of Organization	Name of the organization	Name and Designation of the person	Date	Major areas of discussion
1	Coalition	Palli Karma-Sahayak Foundation (PKSF)	Md. Fazlul Kader, Deputy Managing Director	10/07/2019	Recommendation 1 Recommendation 6 Recommendation 7 Recommendation 8
2	Coalition	UNCDF	Md. Ashraful Alam, Country Coordinator	14/07/2019	Recommendation 1
3	Insurance	Pragati Life Insurance Limited	S. M. Ziaul Hoque, Ex-General Manager, Operations	14/07/2019	Recommendation 3
4	Regulator	Bangladesh Bank	Khondokar Morshed Millat, General Manager, Sustainable Finance Department, Bangladesh Bank and BFP-B Deputy Project Director, BFP-B Project.	15/07/19	Recommendation 1 Recommendation 2
5	Coalition	SME Foundation	Nazim Hassan Sattar, Deputy General Manager	16/07/2019	Recommendation 8
6	MFI	TMSS	Abdul Kader, Deputy Executive Director	16/07/2019	Recommendation 1 Recommendation 2 Recommendation 3 Recommendation 4
7	Bank	Bank Asia	Shardar Akhter Hamid, SEVP \$ Head of Channel Banking	18/07/2019	Recommendation 7
8	MFI	POPI	Md. Moshir Rahman, Director, EES	18/07/19	Recommendation 8
9	MFI	SSS	Shantosh Chandra Paul, Director (Microfinance)	18/07/19	Recommendation 8 Recommendation 7
10	MFS	BKash	Wasifa Noshin	18/07/19	Recommendation 7
11	Regulator	Bangladesh Bank	Md. Mezbaul Haque, General Manager, Payment Systems Department	21/07/2019	Recommendation 4 Recommendation 5
12	Bank	Dhaka Bank Ltd.	Md. Sirajul Hoque, Ex-Head of SME	21/07/2019	Recommendation 7

13	MFI	Integrated Development Foundation (IDF)	Zahirul Alam, ED	22/07/2019	Recommendation 6 Recommendation 7 Recommendation 8
14	MFS	ROCKET	Aslam Ferdous	22/07/2019	Recommendation 4 Recommendation 5
15	MFI	ASA	Md. Fayzer Rahman, Executive Vice President	25/07/2019	Recommendation 1 Recommendation 6 Recommendation 7 CIB
16	MFI	BRAC;	Alvina Zafar, Manager, Microfinance	25/07/2019	Recommendation 1 Recommendation 6 Recommendation 7
17	MFI	COAST Trust	Tarik Sayed Harun, Deputy Director- Core program	28/07/2019	CIB Recommendation 1 Recommendation 6 Recommendation 7
18	MFI	Padakhep	Saleh Bin Sums, Director (Microfinance)	28/07/2019	Recommendation 1 Recommendation 6 Recommendation 7 CIB
19	Insurance	Ghashful	Aftabur Rahman Jafree, Executive Director	1/08/2019	Recommendation 3
20	Coalition	INAFI	Mahbuba Haque, ED	1/08/2019	Recommendation 3
21	Regulator	Microcredit Regulatory Authority	Yakub Hossain, Director, Policy	6/8/2019	Recommendation 6 Recommendation 7 Recommendation 8 CIB
22	Coordination	Ministry of Finance	Arijit Chowdhury, Additional Secretary, Financial Institutions Division, Ministry of	7 August, 2019	Recommendation 1

			Finance and Chairman, BFP-B Policy Working Committee		
23	Regulator	Insurance Development & Regulatory Authority (IDRA), Bangladesh	Gokul Chand Das, Member	7 August, 2019	Recommendation 3
24	Others	Institute for Inclusive Finance and Development (InM)	Dr. Mustafa K Mujeri, ED	8 August, 2019	Recommendation 1-8 and beyond