

Improving performance monitoring and effectiveness in rural finance

GRANT RESULTS SHEET



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The goal was to contribute to establishing an inclusive financial system that meets the needs of the rural poor

Goals and objectives

Transparent performance reporting is a key requirement for effective results-based management of IFAD rural finance interventions. Better reporting, tracking and management have benefits throughout the entire IFAD project cycle, from design to implementation and learning from performance data, and for actors at different levels: partner financial service providers (FSPs); programme coordination units (PCUs); government policymakers; and IFAD decision makers and managers.

The goal of this initiative was to contribute to establishing an inclusive financial system that meets the needs of the rural poor by supporting the growth of healthy microfinance markets and microfinance service providers. Underpinning this goal is the notion that timely and credible information is critical to the functioning of markets.

Such information enables clients to make better decisions on financial services based on what products are offered, the health of the institution offering them, and features and prices. It allows providers to improve product offerings through peer comparisons, analysis of their own strengths and weaknesses, and better market research. It helps investors fund the most promising institutions, and gives donors and policymakers the tools they need to create supporting environments for financial systems. This information contributes to a more stable financial system, with healthy institutions that provide the financial products and services that poor rural people need.



Figure 1. Performance monitoring and analysis of financial service providers: why are they important for financial inclusion?

Facts at a glance

Grant implementing agency

Microfinance Information Exchange (MIX)

Theme

Rural financial inclusion

Benefiting countries

Global

Total programme cost

US\$4,350,000

IFAD contribution: US\$1,200,000

Cofinancing (other donors)

US\$3,150,000

Effectiveness and duration

3 years; 2011-2014

This programme's specific objectives were to:

1. Increase the transparency of information in the rural microfinance sector
2. Improve information relevant to the outreach of rural FSPs
3. Improve the capacity of IFAD and its partners in performance monitoring for rural finance.

Beneficiaries

The target group was FSPs and poor rural households. The grant-funded programme promoted the sustainability of individual FSPs, networks and markets through increased access to information, training and funding. IFAD's staff, PCUs of IFAD-supported programmes, and implementing partner institutions also benefited from capacity development. Ultimately, the rural poor benefited from the increased quantity and quality of financial products and services offered because of healthier markets and FSPs.

Main results

Transparency of information in the rural microfinance sector increased.

- Increased the number of FSPs with available data on **MIX Market** by 500 to 2,500. In Africa, 350 FSPs reported annual data from 2012-2014, representing 90 per cent of the total Africa loan portfolio; the number with social performance profile data doubled to over 250.
- Improved the timeliness of information availability by working with local associations to collect and deliver quarterly reports for 550 FSPs, an increase over the 400 available in 2011.
- Expansion of reporting on the MIX Market platform is an important public good and filled a data gap in rural finance market information, as well as in the monitoring and evaluation of IFAD's rural finance operations.
- Delivered annual training to 20 national associations, including the IFAD-sponsored course on performance monitoring and analysis to support skills development.
- Produced regional and thematic analysis publications that drive industry discussion on sector evolution, including three works in the Microfinance Gateway's **top ten most read papers** for 2014.

Information relevant to the outreach of rural FSPs improved.

- Pioneered a geospatial approach to identifying and measuring rural financial access. **FINclusion Lab**, a data and analytics platform, is meeting emerging information needs from stakeholders who are key IFAD partners in closing the gaps in financial inclusion. The platform now covers 22 countries with subnational data and analysis. Relevant information for rural finance is available for Ethiopia, Rwanda, Uganda and Zambia, where IFAD has rural finance programmes. In Zambia, the data map was used for national discussions during the design of the IFAD-supported Rural Finance Expansion Programme. These tools provide a comprehensive view of financial access in each market.

IFAD and its partners were supported to improve their capacity in performance monitoring and market assessment.

- MIX developed, piloted and delivered two online courses (in English, French and Spanish) to provide essential data analysis skills development for FSPs, funders and partners. MIX delivered three sessions of the course on performance monitoring and analysis of FSPs and one session of the course on understanding the market for financial inclusion projects to IFAD's staff and implementation partners.

Participants included 65 per cent of field implementers from 13 countries, 35 per cent IFAD's headquarters staff and 150 board members of Financial Service Associations involved in an IFAD-supported project in Sierra Leone.

- Launched the MIX Gold reporting service for IFAD, piloting the tool within an IFAD-supported rural finance programme. The service delivers standard and project-specific quarterly data on financial, operational and social results. IFAD's adoption of the MIX Gold reporting service strengthened the sector's information infrastructure by providing institutional commitment to addressing the problems of information flows for rural finance. IFAD collaborated with other public funders, investors and networks in adopting common reporting standards, common technology platforms and business processes for reporting and sharing data on FSPs, making that network more responsive to rural finance information needs. Since IFAD's initial involvement in MIX Gold, 14 other donors, investors and networks have joined MIX Gold to monitor their portfolios of FSPs.

One output of the grant was an interactive online course on performance monitoring and analysis of FSPs. The course was developed and piloted three times in English, and once in French, to nominated IFAD staff, PCUs and implementation partners. The majority of people taking part were based in-country – in Belize, Cambodia, Cameroon, Gambia, Ghana, Mongolia, Nepal, Niger, Rwanda, Sierra Leone, Tanzania, Uganda and Venezuela. MIX was able to train 20 national microfinance associations using the course. In addition, following a request from the Country Programme Manager for Sierra Leone, the training was extended to almost 150 board of directors of the financial service associations involved in Phase II of the IFAD-supported Rural Finance and Community Improvement Programme.



A group of Financial Service Association board of directors taking the course on performance monitoring and analysis of FSPs developed under the grant.

The average course rating was 4.4/5, with the most positive feedback on immediate usefulness for people's jobs and for IFAD's portfolio. One course participant stated, "I can now properly analyse statistical data provided to me by the rural financial institutions under my supervision". Another participant said, "I am now able to follow up on discussions and better supervise the Cameroon microfinance project".

Lessons learned

- This partnership with IFAD allowed MIX to address new challenges in the quickly evolving market for financial services to the rural poor and unbanked. The programme, by filling data gaps in rural financial inclusion and strengthening performance reporting infrastructure and capacity, has helped national regulators, policymakers and international donors to guide their policy and funding to support access to financial services, and has promoted the sustainability of individual FSPs, networks and markets through increased access to information, training and funding.
- Producing performance information and possessing the capacity to manage it must take place systematically within the industry IFAD supports as well as within IFAD. In order to do this, there is a need to continue improving systems to capture data and capacity to use the data to improve design, implementation and learning in rural finance.
- Engagement of stakeholders early on is valuable, as is having an implementing organization at the table with concrete experience to lend to the process.

The IFAD-MIX partnership made it possible to address new challenges in the quickly evolving market for financial services to the rural poor and unbanked

- There are still gaps in information about rural FSPs – particularly less centralized FSPs, such as member-owned institutions and, as the landscape is ever-changing, mobile banking – which it would be important to reduce in order to obtain a full picture of the supply and potential demands of financial services in rural areas.
- The depth of information on rural and agricultural finance can be further improved in order to better understand how rural households and their enterprises are being served and where improvements should be made. IFAD, as a leading donor in rural finance, would have a key role in advocating for this in the financial inclusion space.

Way forward

The development of MIX Gold represents an important business model shift for information services in financial inclusion. Prior to MIX Gold, the market for public and private services was split: donor funding supporting information “public goods”; and private funding supporting private information services. This bifurcation meant that public information services declined as donor funding priorities changed, leaving critical gaps in market information, and that critical information from sustainable private services could not easily support the public good. MIX Gold has bridged this divide by building both public and private information services on top of a shared infrastructure, making it easy, for example, for an FSP to report to its stakeholders (private) and to publish information on MIX Market (public), and by allowing the fees from the private service to help offset the costs of the public infrastructure. The service has grown to capture 40 per cent of the FSP market at a global level. This means that 40 per cent of the public good information needs can be met by users paying for a private information service. This same economic model applies to the financial inclusion measurement and analysis tools development through FINclusion Lab. Donor funding has helped build the basic infrastructure for capturing and displaying geographic information on financial services, including baseline maps for a given country. Once built, these maps can serve as the basis for delivering private services to FSPs, seeking to understand overall market offerings and optimize their footprint for delivering products, and to donors, policymakers and regulators seeking to analyse gaps and opportunities in financial access and to measure progress in financial inclusion. Each private actor that subscribes to the private dashboard and embeds its information in the map in turn supports the data and data infrastructure for the public tools.

The computer-based capacity-building materials developed and piloted on performance monitoring and analysis of FSPs, as well as understanding of the market for financial inclusion projects, have created new successful models for reaching a variety of decision makers and implementers involved in the IFAD-supported rural finance interventions, and offer possibilities for scaling up across the portfolio.

Knowledge generated

Knowledge management was at the core of this initiative. One of the main objectives of this programme was to collect, process and disseminate information on FSPs through publications, MIX’s online public information platform and presentations. For lesson-sharing and wider audience visibility, MIX’s online platforms reach more than 60,000 users each month in both developed and developing markets, including FSPs, donors, investors, policymakers and researchers. In addition, MIX participated in key learning events at IFAD to disseminate findings, and actively involved IFAD Country Programme Managers, programmes and partners in the development and testing of all products, such as the online learning courses to improve the content and delivery for end-users.

MIX manages a community of donors and other sector actors, spanning more than 40 actors in total, dedicated to improving the information environment in rural microfinance through concrete actions, such as adopting reporting standards, using a common reporting platform, and supporting FSPs to improve their own capacity to manage and report information. Through this community, MIX was able to share the lessons from key outputs and activities with a set of stakeholders that work with hundreds of FSPs in scores of markets and have committed to concrete collaboration to improve the information environment.

- Publications: www.themix.org/publications
- Website: www.mixmarket.org
- Maps: www.finclusionlab.org



Investing in rural people

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