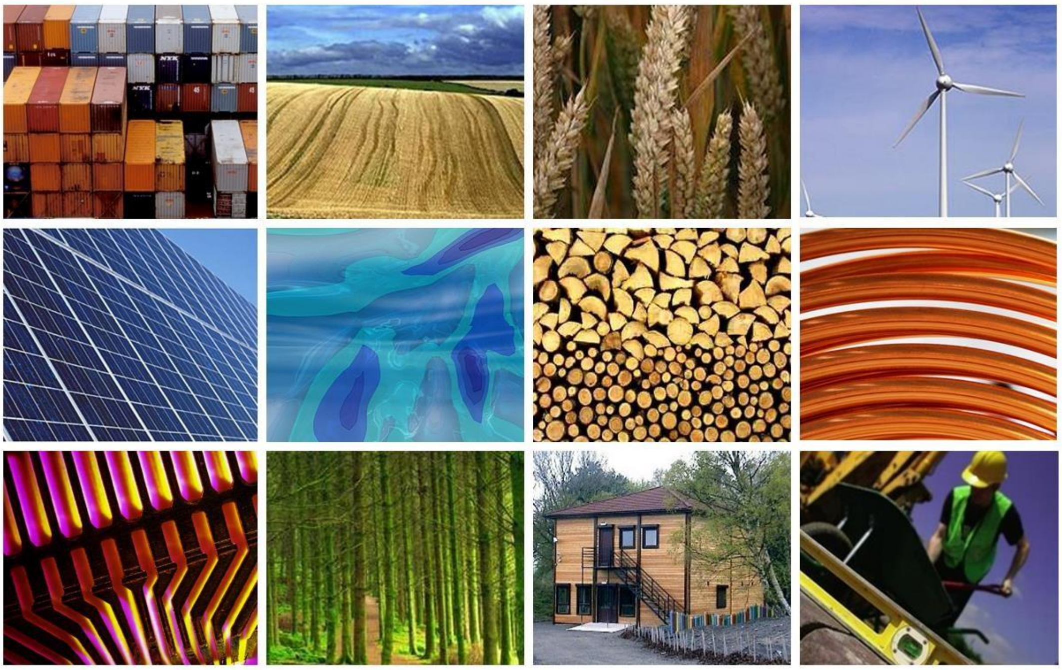
Evaluation of Invest for Impact Nepal (IIN) Programme

Phase 1 Report – Evaluation Summary

October 2024



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Acronyms

BII	British International Investment
DFI	Development Finance Institution
DP	Development Partner
DFS	Digital Financial Services
CEO	Chief Executive Officer
ESG	Environmental social and governance
E&S	Environmental and social
FIs	Financial Institutions – includes class A, B, C and D banks in Nepal
FDI	Foreign direct investment
FMO	Dutch Entrepreneurial Development Bank
IFC	International Finance Corporation
IIN	Invest for Impact Nepal initiative
MEL	Monitoring Evaluation and Learning
MFI	Multilateral Finance Institution
NAIP	Nepal Accelerator Investment Programme also known as the discovery phase of IIN
NBA	Nepal Banking Association
NPEA	Nepal Private Equity Association
NRB	Nepal Rastra Bank (central bank)
PEVCs	Private Equity Venture Capital Funds
PS	IFC Performance Standards
SEBON	Securities Exchange Board of Nepal
SDC	Swiss Agency for Development Cooperation
SIFEM	Swiss Investment Fund for Emerging Markets
ToC	Theory of Change

Evaluation of Invest for Impact Nepal Programme

1. Introduction

This report has been prepared by URSUS Consulting Ltd for FMO in relation to the Invest for Impact Nepal programme. This is the phase one report of a two-phase evaluation which started in October 2023 and will be completed in October 2025.

1.1 Background

- During the period 2017-19 Nepal was one of the world's fastest growing economies but was badly hit by COVID in 2020. At this time FMO was working with banks and developers to help raise ESG standards in the hydro sector as part of its Environmental, Social and Governance (ESG) sector initiative. FMO worked directly with NMB bank (in which it is a major investor) and with two hydro projects in which it had a stake. Unfortunately, ESG training launched in 2020 coincided with COVID, and had to be delivered online and so was not as effective as expected.
- In early 2020 a small group of development finance institutions (DFIs) and development partners (DPs) joined a mission to see whether they could work together on a programme designed to help the economy recover from COVID. They favoured an approach which would encourage growth and jobs in small and medium sized enterprises (SMEs) which make up 99% of all businesses and 80% of employment in Nepal.
- In mid-2020 three organisations - FMO, British International Investment (BII, UK) and the Swiss Agency for Development Cooperation (SDC) – all agreed to take this forward by supporting the **Nepal Accelerator Investment Programme (NAIP)** between mid-2020 and early 2022, in order to scope out what a larger programme might focus on. This in turn led to a rolling out a larger three-year programme - renamed as **Invest for Impact Nepal (IIN)** – with a budget to £3 Mn which will run to July 2025.
- FMO's contribution is provided by the MASSIF financial inclusion fund it administers for the Dutch Government.
- The IIN platform operates with a staff of four, based in Kathmandu. The programme is run by international consultancy Cadmus, which provides the local team with strategic direction, technical support, quality assurance and monitoring evaluation and learning (MEL) support. IIN has a local office but is not a registered legal entity.

1.2 The rationale for IIN

- The financial ecosystem in Nepal is small but complex, involving over 100 banks (including commercial (Class A), development (Class B), finance companies (Class C) and microfinance institutions (Class D)), a nascent private equity and venture capital (PEVC) sector, half a dozen Government of Nepal (GoN) departments and regulators for the sector and a small number of organisations (universities, consultancies, business associations) able to support the sector in becoming more sustainable. The larger development partners (World Bank, IFC, ADB, USAID) have well established programmes, but only a few DFIs have yet made investments in the financial sector: those that have invested tend to have done so in two leading banks and one overseas registered PEVC.
- IIN's 'theory of change' (ToC) (Annex A) is that by unlocking a pipeline of Development Finance Institution (DFI) investment into the financial sector, the platform will be able to

help shape capital markets and direct funds via SMEs to real economy sectors, towards marginalised groups (such as women owned and run businesses) and towards climate investments. By the end of the programme IIN is expected to help reach 5,100 businesses and support 7,750 jobs.

- During the NAIP phase it was agreed that the focus during scale up would be on four main groups of actors:
  - **Banks** – helping them become investment ready by raising ESG standards, seen as the major challenge for foreign investment in the sector. IIN aims to provide 5 banks (4 commercial, 1 class B or D) with Technical Assistance (TA) on their environmental, social and governance (ESG) performance. It is aims to raise ESG standards across the banking sector (starting with the 20 commercial banks) via training and support activities delivered in collaboration with the Nepal Banking Association (NBA) and academic partners (Tribhuvan University and Barcelona School of Management).
  - **Private equity and venture capital** (PEVC) funds - directly providing TA to 6 funds and providing wider support to the sector (now 17 funds) via its representative body the Nepal Private Equity Association (NPEA). IIN is also providing direct strategic and operational support to NPEA to become the voice of the sector and a conduit for delivering the products and services that the sectors need. The intention is for NPEA to become financially and organisationally self-sustaining by the end of the IIN programme.
  - **Government of Nepal departments and regulators** – focusing initially on advocacy to address half a dozen key regulations or rules which hinder DFI investment out of about 40 identified during the scoping phase.
  - **Other DFIs and Development Partners** (DPs) – working with DFIs to help improve their understanding of the Nepal financial market and to identify opportunities to make sustainable investments in 'investment ready' banks, PEVCs and businesses. The project aims to secure an investment pipeline of USD 65 Mn by the end of Year 2 rising to USD 155 Mn by the end of year 3.

1.3 Evaluation objectives

The overall evaluation objectives for both phases are:

- To determine the development results achieved through the programme; and
- To provide actionable recommendations and learning for the programme, for FMO and other DFIs.

The evaluation is organised in two phases (2023-24 and 2025) with this first, formative phase at the mid-point of the three-year programme focused on the following type of evaluation questions:

- Does the programme have sufficient resources, sound management and governance systems in place to enable efficient delivery?
- Is the programme delivering as expected in terms of the activities, outputs and outcomes agreed in the ToC.
- Have IIN interventions resulted in any changes in the behaviour of the programme beneficiaries (e.g. in making changes to policies, ESG standards, processes, practices and investment intentions)?

- Has IIN collaborated with DFIs and development partners to maximise synergies and avoid any duplication from their interventions?
- Are there exit strategies in place for IIN and its partners? If the programme finishes as planned in July 2025, will the changes that IIN has contributed to be sustainable?

The second phase of the evaluation will be summative: in revisiting the questions above, it will draw conclusions on whether the programme has been efficient and effective in meeting its objectives. The findings will also inform a 'Blueprint' which will summarise wider lessons from the IIN experience which can be useful in proposing a template for those setting up similar market creation initiatives in other fragile and emerging markets.

1.4 Evaluation methods

For the first phase the evaluation has included:

- **An extensive review of documents** from IIN, its funders, GoN and wider stakeholders including published literature, websites and social media. The evaluation draws on IIN monitoring data and an 'outcomes harvesting' exercise (December 2023).
- **More than 70 face-to-face and online interviews** with the IIN team, its funders, commercial banks, PEVCs, trade associations, GoN ministries and regulatory bodies, other DFIs, development partners, local and international consultants, project developers and wider stakeholders. Interviews were carried out online and during a joint URSUS/FMO field visit to Nepal in March 2024.
- **Baseline surveys sent to all 20 commercial banks and 17 PEVC funds** and followed up with semi-structured interviews with 6 banks and 9 PEVCs. Surveys were designed to help establish a baseline for how banks and PEVCs are currently positioned in terms of their ESG performance and investment readiness, and to understand their views on the potential benefits and challenges of moving towards higher international standards over the next year and how IIN activities and support have helped.
- **URSUS also visited an FMO co-funded hydro project i**n order to learn lessons about how DFIs had contributed to raising ESG standards and to provide some good practice examples on the benefits and costs of higher standards for developers.

During the phase 2 evaluation in mid-2025 the desk review, interviews and surveys will be repeated. This will inform a final assessment of what the IIN programme has delivered, how it has affected behaviour and procedures of beneficiary organisations, and the impact such changes have had in attracting DFI investment and channelling it towards sustainable businesses, projects and jobs.

2. Key findings in relation to the evaluation questions

The evaluation has found that IIN is now well-established and on track to deliver the complex mix of activities and outputs that it set as targets. The team shows great flexibility in responding to opportunities and evaluation feedback. Changes of attitude are now evident amongst many of IIN's target groups and anecdotally this is beginning to translate into action. Banks are now in discussions with DFIs and other investors with deals more likely to focus on SMEs, gender, climate/green credit.

IIN'S target to mid-2024 were to attract USD 65 Mn of pipeline investment (of which USD 50 Mn to commercial banks, USD 10 Mn to PEVCs and USD 5 Mn to a digital finance service (DFS) company). This is expected to rise to USD 155 Mn by the end of year 3 (of which USD 100 Mn to commercial banks, USD 20 Mn to other types of banks, USD 30 Mn to PEVCs and USD 5 Mn to a DFS). Partly due to market conditions, deals were slower in the first 18 months than expected, but by October 2024 IIN has closely supported USD 195 Mn (with a further USD 170-190 Mn in the pipeline), and indirectly helped to increase DFI investment in financial institutions from USD 100 Mn (2021) to USD 650 Mn (2024). A dozen DFIs and impact investors are now exploring PEVC funds, but no deals have been signed yet.

By mid-2025 these investments are in turn expected to have an impact by reaching 5,100 underserved businesses and supporting 7,750 jobs. The initiative is likely to need a bit longer before its activities can be judged to have contributed to achieving a tipping point in the financial sector.

2.1 Resources, management and governance systems in place for efficient delivery

- Halfway into its three-year programme IIN has established its credibility with all four of its target audiences. Stakeholders describe it as an 'honest broker.' Having a local presence has been an important element in establishing IIN's brand and reputation.
- There is a strong local team who are well supported by the Europe-based Cadmus project director and technical team. The core team's skills and experiences are complementary and there is enough capacity to deliver against the ToC. Additional expertise is provided as needed by part-time consultants (such as a local finance sector expert, senior policy adviser and legal advisers) and via competitively tendered international consultancies.
- Management systems and governance arrangements (via a Management Committee with representation from all three funders) are in place to generate regular financial and qualitative reporting which inform timely decision-making.
- Based on current disbursement rates, the programme has sufficient budget to meet its objectives, but with some underspend in relation to TA for PEVCs. Slower spend in this area partly reflects the complexity of procurement requirements for small international contracts: some contractors consider the requirements disproportionate to the size of the contracts, while some local PEVCs have struggled to access the forex required for their contribution. In the next phase it would be useful to review whether the TA rules can be amended to make TA more accessible, or whether IIN could review what is offered to reflect what DFIs are offering in other markets.

2.2 Activities, outputs and outcomes being delivered in line with the Theory of Change

2.2.1 Technical Assistance (TA) to financial institutions: for ESG in banks and to help PEVCs and businesses become 'investment ready'

- A major strand of IIN's activity is in providing Technical Assistance (TA) to 12 carefully chosen financial sector businesses. By the end of year 3 the platform expects to have worked with 4 commercial and 1 development bank or microfinance institution, 6 PEVCs and 1 Digital Financial Services business. The expectation is that the resulting changes in

ESG standards and other practices in these institutions will encourage DFIs and other impact investors to consider them less risky and make debt or equity investments that will support SMEs, underserved groups and climate goals.

- Discussions are reported to be underway between 12 DFIs/impact investors into 8 FIs which - if they were all signed - could exceed IIN's pipeline targets and could be attributed to IIN. By October 2024 USD 195 Mn of investment had been closely supported by IIN with a further USD 170-190 Mn in the pipeline. The deals being discussed mainly focus on impact areas such as SMEs, gender and climate/green credit lines. However, external economic factors beyond IIN's control (interest rates, interest rate caps for SMES, local business confidence in the market etc.) may prevent some of these deals coming to fruition immediately. Some of these other issues may need to be addressed in parallel with raising ESG standards.

IIN is now working with three commercial banks. This has involved many months of meetings with senior executives to get their buy-in to raising ESG standards (above those required by Nepal central bank) and appointing three international consultancies who are in the process of helping them review sustainability policies, ESRM processes, portfolios, staff and training needs. The next stage will be to design tools and deliver training to their staff.

- Senior management and boards in all three banks report a sense of ownership of the process and anticipate potential benefits (such as de-risking their portfolios and attracting overseas investment) for their banks and for their clients. All three banks have either set up new ESG units or hired dedicated ESG staff. However, in March 2024 it was still too early to see tangible improvements in how they carry out ESG risk assessment, or to see any impacts on their client's projects.
- Nevertheless, a handful of DFIs and impact investors have now started to show an interest in the three TA banks – on the basis of perceived changes in their risk levels and how this streamlines DFIs internal due diligence processes. A potential pipeline of USD 250 Mn is being discussed. One deal has already been signed (USD 100 Mn in August 2023 before the TA was in place): the DFI concerned partly attributes their interest in the deal to the work that IIN had done with the bank in agreeing the need to upgrade their ESG standards.
- For its final year, IIN plans to work with another commercial bank and either a development bank or microfinance institution. First approaches have been made but work with other types of banks is likely to be more challenging as these banks are starting from a lower base: achieving results may take longer than mid-2025.

IIN is providing direct TA to four PEVCS tailored to their specific needs in becoming ready for international investment. The type of assistance varies from strategic support in designing new funds to systems support for analysis, deal flow systems and support in developing pitches to potential investors (e.g. financial modelling, domiciliation support, investment thesis, presentations and slide decks). Consultancy skills in these areas are not yet available in Nepal and so PEVCs have worked with a wide range of international specialists. IIN has also worked closely with the USAID Trade & Competition programme to deliver market research studies in their focus sectors (e.g. IT and manufacturing).

- The four PEVCs that have received IIN TA have made real advances and are beginning to be seen as 'investment ready.' One has attracted interest from about 10 DFIs and will be launching its new fund in summer 2024. However, no DFI has yet made a firm commitment and at a recent meeting between 6 DFIs and 15 PEVCs (Funds Connect, March 2024) the DFIs described a number of constraints to investment which are beyond the direct control of individuals PEVCs. IIN is now focusing on trying to get at least one DFI/PEVC deal over the line in 2024: if this is achieved it could start to have a catalytic effect on the sector. In support of this goal IIN now needs to redouble its efforts in one-to-one mentoring with funds closest to securing a deal.

IIN has also worked with one DFS at the request of one of its DFI funders. The TA has helped the company strengthen both strategy and operational aspects and discussions are now underway for an investment of USD 5-7 Mn.

2.2.2 Raising ESG standards across the wider banking system via Nepal Banking Association (NBA)

- IIN is working with the NBA to deliver training which will help mainstream higher ESG standards across the banking sector. This is increasingly important as all 20 commercial banks focus on delivering a government-mandated target of investing 10-12% of their portfolio in the clean energy (mainly hydropower) sector. By 2025 this could mean USD 4.5 Bn of investment in a high ESG risk sector that many commercial banks currently report being worried that their current ESRM systems and staff capacity cannot fully address.
- IIN is supporting NBA and the Barcelona School of Management (BSM) to design and deliver a 'Sustainable Banking and ESG Certified Diploma' course for banks at a subsidised rate. A first cohort of 40 officers (10 of them women) from 14 banks have participated and found the course useful. Some trainees say they are already starting to apply what they have learnt to amend their ESRM policies: trainees plan to set up a community of practice to share their experiences as they start to implement changes to systems and to train others within their own banks.
- Feedback collected during the evaluation has already fed into tailoring the course content to make it more regional, focused on relevant sectors (e.g. hydro, agro-processing, construction) and to include field visits to good practice ESG projects. Future rounds of training will be opened up to development banks and microfinance institutions and to help build capacity in key government organisations (Nepal Rastra Bank, SEBON and Ministry of Finance).
- IIN is also working with UPF-BSM and the School of Management, Tribhuvan University (SOMTU) to integrate sustainable finance and ESG into graduate and postgraduate courses. A post-graduate diploma course will be launched in 2025 onwards to help build wider ESG capacity in Nepal. A group of SOMTU staff is now visiting Barcelona for training.
- Beyond training, NBA and IIN are also planning to develop capacity to work with government on wider sustainable finance issues: an immediate opportunity is to influence the green taxonomy being developed by government; other opportunities include supporting leading banks to pursue their interests in carbon accounting, climate finance, and sustainability reporting to international organisations and SME and Women Entrepreneur Financing.

Helping the wider private equity sector become investment ready via Nepal Private Equity Association (NPEA)

- IIN has helped with organisational and financial support to strengthen NPEA as the voice of the PEVC sector in Nepal. With IIN's help the organisation has grown from half a dozen to 17 full members (PEVCs) and 6 associates. IIN has assisted in renewing the board, providing office space and secretariat services, and in developing its range of services for members (reports, tools, professional training, roundtable events, opportunities to meet with potential investors and investees and a deal matching platform). The recent 'Funds Connect' event (March 2024) attracted 15 funds and 6 DFIs and created opportunities to share priorities, discuss challenges and arrange follow on meetings.
- NPEA has raised its profile, signed an MoU with the regulator (SEBON) and has plans to become self-sustaining, although this may not be fully achieved if IIN wraps up in mid-2025. Evaluation feedback shows that almost all PEVCs have taken part in and benefitted from multiple NPEA/IIN activities: they feel NPEA is responsive to their needs – for instance in providing professional skills training and on emerging topics such as ESG – and are willing to pay for the services they receive.
- A core group of 8-9 funds are now actively seeking DFI and impact investor funds, but as noted above, DFIs still see a number of obstacles to investing in locally based funds and interest has yet to translate into an investment pipeline. This is causing some frustration amongst NPEA members: IIN continues to work intensively to help secure the first DFI/PEVC deal that they hope will then give confidence to other investors.

2.2.3 Advocacy with Government: removing investment barriers and encouraging more sustainable investment policies

- The IIN team is working with different parts of GoN to introduce changes in regulations and rules that constrain overseas investment. The focus is on half a dozen priority issues where IIN feels it can really make a difference by mid-2025.
- Via its senior policy adviser, IIN has successfully established good relationships at the highest levels within the Ministry of Finance (MoF), Nepal Rastra Bank (the central bank) and Securities Exchange Board of Nepal (SEBON, the private equity fund regulator). However, senior figures tend to change post frequently, and the team have had to spend considerable time re-establishing contacts in order to make progress. But there have already been some high-profile successes including Memoranda of Understanding (MoUs) signed between MoF and 6 DFIs, and between SEBON and NPEA. The team have also been successful in getting the 'Foreign Investment and Loan Management Byelaw' amended so that it formally recognises DFIs: it now provides the basis for addressing issues such as phasing, payment of fees, and equity investment in banks in order to increase their capital. MoF also agreed on a formal route for amending laws on Withholding Tax applicable to DFIs.
- In the next year IIN will work more with counterparts at technical officer level, setting up roundtables to work on key sustainable finance issues, and helping to strengthen their ESG capacity by involving them in certified ESG training courses offered via NBA and NPEA.

2.2.4 Encouraging international investment by addressing market intelligence gaps

- IIN works closely with DFIs to increase their understanding of the Nepal financial ecosystem, address gaps in market intelligence, and match them with opportunities for impact investment. By December 2023, the team had produced investment analysis reports (6), regular communications such as newsletters (10), and run events (7) which already met its year 2 targets.
- Up to 50 individuals from 15 DFIs now regularly attend an SDC and IIN-organised online DFI forum. DFIs appreciate the opportunity to hear about changes in the political and economic context, to share their priorities, hear about IIN's work and about potential investment opportunities (e.g. PEVC pitches). Many report that the 'soft intelligence' IIN provides them is really valuable and would otherwise be difficult for them to glean without a local presence.
- IIN also organises regular DFI investment delegations to Nepal in the margins of other events such as the GoN Investment Summit (April 2024). This year 14 DFIs, impact investors and DPs (compared to 6 in 2023) joined the IIN-organised Investor Forum: participating DFIs also attended the GoN summit and had the chance to meet with senior policy makers and agree how challenges such as 'Withholding Tax' could be addressed.

Collaboration with development partners to maximise synergies and avoid duplication

- IIN has established good relationships with bilateral development partners and in the next year plans to explore the potential for synergies in directing multilateral investment funds to pipeline opportunities identified by IIN and its partners. This includes both investments in financial intermediaries and directly in real sector businesses. There are also opportunities to ensure that all ESG training on offer (e.g. in the hydro sector) is aligned so that whole sector, not just individual investees, can benefit.

3. Conclusions and Recommendations

3.1 The case for an extension

This mid-term evaluation has found a strong case for extending the IIN market creation programme beyond 3 years for the following reasons:

- To capture the benefits of higher ESG in the handful of TA banks;
- To upgrade other types of banks;
- To allow for leading DFIs to invest in at least one local PEVC as a catalyst;
- To maintain momentum for successful IIN events and activities until NBA and NPEA are in a position to take them on;
- To build a full sustainable finance ecosystem; and
- To achieve real economy impacts (e.g. Micro Cottage Small and Medium Industries (MCSMIs); agro-processing; and clean energy (including hydropower). All three are 'priority sectors' where the Central Bank NRB has set mandatory targets for commercial bank lending. The first two sectors are likely to be addressed through IIN's work to support Class B and D banks in the next stage.

If a decision is taken not to extend the project, then IIN will start to wind down operations to finish in mid-2025, as planned. Although key staff are contracted to August 2025, there is a considerable risk that the team will disperse to other opportunities at a time when IIN still has a lot of potential to make a real impact.

3.2 Recommendations for IIN and its partners

3.2.1 Recommendations for FMO

1. Commit to reviewing the proposal to extend the programme beyond 2025. Additionally, sound out whether a like-minded European DFI who has benefited from IIN would like to participate as a funder.
2. Monitor IIN's ongoing work with: the NBA and banks; NPEA and funds; regulators; and DFIs and DPs.

3.2.2 Recommendations for implementation partners

1. IIN should develop a detailed proposal with strategic objectives to extend the programme beyond 2025.

Continue strengthening NBA's offer of training and policy thinking for sustainable banking

2. Set up a sustainable finance task group at the Nepal Bankers Association (NBA) responsible for helping develop policy positions for advocacy with government and delivering training in advanced sustainability issues.

Continue working with NPEA and leading PEVCs to secure DFI investment

3. Continue to support the Nepal Private Equity Association (NPEA) to become self-sustaining.
4. Develop ESG training for PEVC funds with case studies in similar regional contexts.
5. Provide mentoring to TA beneficiaries to get at least one DFI/local fund deal across the line in order to build confidence and momentum amongst both PEVCs and DFIs.

Continue working with regulators

6. Continue working on reform of regulations and rules but also consider working more closely with key departments within the regulators on wider sustainable finance policy issues.
7. Work more closely with the Nepal Rastra Bank (NRB) to help them develop enabling policy which creates incentives for projects which meet higher ESG standards.
8. Continue to address the withholding tax issue on behalf of DFIs. This will require ongoing work with Inland Revenue/Department of Industry and then a change to the Investment Act in parliament.

Continue working with other DFIs and DPs

9. Work closely with development partners to help channel their private sector funding towards impact investment opportunities identified by IIN, NPEA's deal share platform, individual PEVC pipelines.

3.3 Emerging lessons for market creation initiatives elsewhere

An output from the second phase of this evaluation will be a 'blueprint' of more widely applicable lessons for setting up this type of initiative. Emerging lessons include the following:

A scoping phase is really useful to test need and make sure partners are aligned:

- Mixing DFI and DP funding partners can work well providing they are like-minded in terms of objectives.
- In this case an 18-month 'discovery phase' was low cost and had allowed enough time to scope key challenges, what others were already doing, where a new market initiative could make a difference.
- The outputs and relationships established during this phase helped to focus efforts on where to add value during the scale up phase. Nevertheless, agreeing a Theory of Change which would set the strategic direction while allowing sufficient flexibility to embrace opportunities was a long process.
- It is important to clarify and agree ways of working – differences in management styles, procurement rules, sign-off procedures etc. can lead to friction.
- It would be hard even during the scoping phase to operate without a local presence – office, social media, staff.

Staffing within funders and implementation partners

- Expect strategic and operational decisions to be time consuming in the initial phase. In this case officers from each of the funders committed about 2 days/week for the first 18 months, but they are now able to be less hands on.
- The 'perfect' CEO can be difficult to find in small emerging markets with high levels of outward migration. However, qualities such as integrity, energy, ability to work with a small team and local networks are more important than finding one individual with all the technical qualifications and years of experience.
- Senior roles – strategic, operational, technical expertise – can be successfully split across a number of senior team members.
- The value of a good understanding of the local political context, and how local power dynamics/and networks between financial institutions work has proved really valuable in the platform being seen as trustworthy and credible.

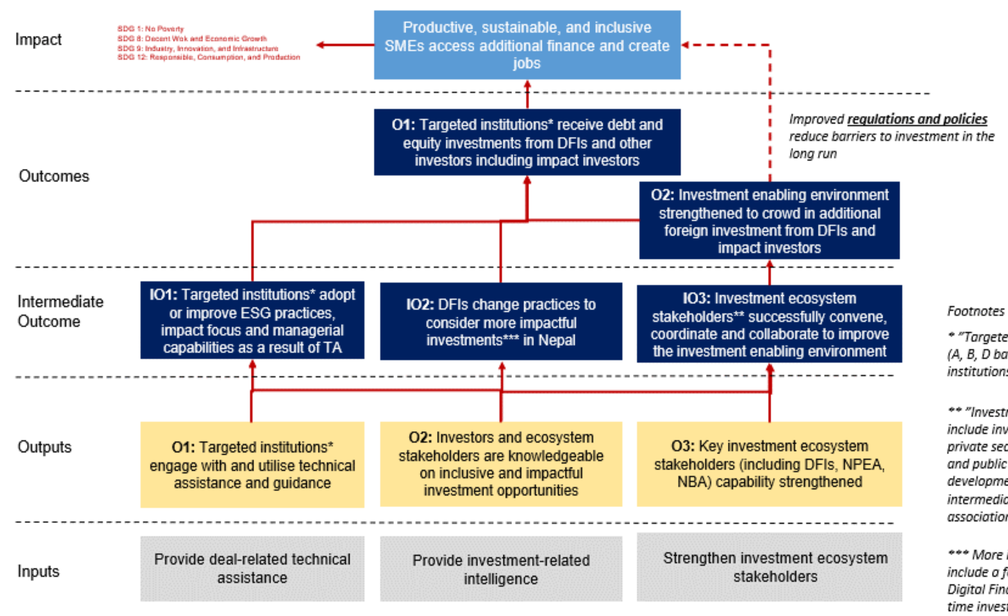
Building the brand and reputation versus leading from behind

- Political attitudes to foreign direct investment will determine the most effective approach to advocacy, visibility/branding, legal standing etc. In this case hesitancy on the part of government has led to a slow approach to advocacy for changes to rules/regulations.
- However, time taken to strengthen local partners to take on the advocacy role is likely to be more sustainable in the long run.

Monitoring Evaluation and Learning

- Ensure the TOC, MEL and KPIs are detailed enough to measure progress and make any course corrections, but not too resource intensive.
- Do baseline surveys as early as possible but recognise this may require a trust building exercise first. In this case banks were not initially willing to share information about their ESG performance that they considered commercially sensitive, although PEVCs were much more willing to do so.
- Coordinate internal and funder MEL activities to avoid duplication and consultation fatigue amongst target groups

ANNEX A



Footnotes

** "Targeted institutions" are defined as FIs (A, B, D banks), funds, DFS, other financial institutions.*

*** "Investment ecosystem stakeholders" include investors (DFIs, impact investors), private sector stakeholders (FIs, funds, DFS), and public sector stakeholders (regulators, development partners, and private sector intermediary bodies, such as business associations)*

**** More impactful investments can include a focus on class B and D banks and Digital Financial Service Institutions; first time investments, or a specific focus on impact to benefit marginalised groups and geographies.*