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Report

EVALUATION OF G20 SME FINANCE CHALLENGE

IFC

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ABBREVIATIONS

BPI	Bank of the Philippine Islands
CTC	Capital Tool Company
DFI	Development Finance Institution
EFA	Equity For Africa
EFL	Entrepreneurial Finance Lab
EFSE	European Fund for Southeast Europe
FIEG	Financial Inclusion Experts Group
FMO	Netherlands Development Finance Company
GBF	Global Business Fund
GPFI	Global Partnership for Financial Inclusion
LGUGC	LGU Guarantee Corporation
MCF	Medical Credit Fund
MoV	Means of Verification
OPIC	Overseas Private Investment Corporation
PDT	Peace Dividend Trust (now Building Markets)
SMEs	Small and Medium Enterprise
TFF	Trade Finance Facility

INTRODUCTION

The main target audience of the present evaluation report is the G20 countries, donors interested in SME finance and the institutions engaged in the Global Partnership for Financial Inclusion (GPFI).

According to the Terms of Reference (included as Annex 1), the evaluation of the G20 SME Finance Challenge (the Challenge) has the goal of answering the following questions:[1]

1. How successful have each of the 13 Challenge winners been in achieving their stated objectives and goals?
2. How effective and appropriate has the performance-based grant been in supporting the achievement of stated goals and objectives of the winning proposals?
3. Which are the most promising models that could potentially be replicated and scaled up?

In providing answers to these questions, the report will help to make informed decisions about whether and how similar challenge programs should be created and executed in the future.

IFC seeks to use the review of the initiative to gather quantitative and qualitative evidence and to the extent possible, to offer answers to some of the following broader questions:

- How does access to finance translate into job creation in the SME sector? Is this through displacement of capital or higher output or both? What is the evidence that SME beneficiaries created new jobs under the program?
- To what extent can technology help leapfrog financial infrastructure constraints?
- Does SME development have a positive effect on inclusiveness, for example by bringing more women or other excluded groups into the financial system?
- What type of intervention (i.e. risk sharing, technical assistance, or a combination of both) works best in fragile and conflict environments?

This evaluation report has eight chapters. After introducing the methodology applied during the evaluation, the report presents background information about the G20 SME Finance Challenge in Chapter 2. Chapter 3 introduces the 13 Challenge winners whereas Chapter 4 provides a summary of their performance on the key result indicators, based on five deep dives and eight light reviews. These summaries are based on separate project reviews about each Challenge winner. Chapter 5 covers the projects' contributions to program objectives and the program's overall cost effectiveness. Chapter 6 analyzes the scaling up potential of the projects while Chapter 7 examines the role of the IFC in managing the Program and monitoring the projects. Chapter 8 summarizes the lessons learned throughout the Challenge.

Enclude wants to thank the Challenge winners and their clients for their cooperation during the evaluation work and for giving our team access to information and opinions. This allowed us to gain insight into the achievements and challenges of their work and into the contribution of the G20 SME Challenge to increasing SMEs' access to financial services.

We would also like to thank the people at IFC who supported us throughout the evaluation, introducing us to the Challenge winners and to institutions and people who have been involved in the Challenge and providing us with feedback on the drafts of the project reviews and on the overall report: Minerva Kotei, Nothando W. Nyathi, Ghada Teima, Hourn Thy, Stephen Francis Pirozzi and Alexis Diamond as well as the IFC project officers. A special word of thanks to Matthew Gamser, Head of the SME Finance Forum, and to Mrs. Aysen Kulakoglu of the Turkish Treasury who kindly spoke to us as Co-Chair G20-GPFI.

[1] IFC: Terms of Reference for the Evaluation of the G20 SME Finance Challenge Program. October, 2014. Page1.

EXECUTIVE SUMMARY

The present evaluation aims at assessing how successful the G20 SME Finance Challenge winners have been in achieving their stated objectives and how effective the performance based grant mechanism has been in supporting them. The evaluation also presents lessons learned and analyzes the potential for replication and scaling up.

In 2009, at the G20 Summit in Pittsburgh, leaders of the G20 countries recognized access to finance for small and medium enterprises (SMEs) as a key challenge. In 2010 they launched the G20 SME Finance Challenge, a call to the private sector to put forward proposals for how public finance can maximize the deployment of private finance to SMEs on a sustainable and scalable basis. Out of several hundred proposals, 14 winners were selected.

In March 2011, the Global SME Finance Innovation Trust Fund was established at IFC to fund the winning proposals, with contributions from Canada, DFID, Korea, the Netherlands and USAID. These donors committed USD 33 million, with part of these funds earmarked for the establishment of the SME Finance Forum and for covering IFC's cost of administration. Thirteen winners signed an Agreement with IFC and received funding of USD 22 million, which enabled them to implement their winning proposals in the period 2012 – 2015. One winner decided not to participate.

In spite of the diversity of the project portfolio, all projects were awarded between USD 1 and USD 2.5 million for two to three years. IFC managed to put 13 different projects into a standard Grant Agreement. This allowed for monitoring according to a format known by IFC and brought clarity to the grantees on the link between achieving targets and disbursements.

Close to 50% of the projects focus on Sub Saharan Africa, with lower percentages operating in Latin America and Asia. At the same time, none of the grantees has Africa as its home base, while ten out of the thirteen have their home base in an OECD county. The winning projects address major bottlenecks of SME finance, including asymmetry of information, lack of collateral and the unavailability of financial products tailored to SME needs.

The pool of winners shows a bias towards organizations previously known by donors and DFIs. Most of the 13 winners were already known to donors and DFIs and had access to grant funding by the time they won the Challenge. Six of the 13 selected projects were receiving support from FMO of The Netherlands. Public money seems to follow public money. Another striking fact is that five of the winners are funds promoting SME finance, but not operating as regulated financial institutions in the countries where they carry out their funding business.

The groups targeted by grantee projects are very diverse with representatives of both the top and the bottom of the SME pyramid. As a matter of fact the clientele of the grantees includes a broad variety of final beneficiaries. Some of the grantees concentrate on micro enterprises or small farmers while two Asian cases focus more on the top bracket of the medium enterprise sector, funding amounts higher than USD 500,000.

As for performance, ten of the 13 projects proved to be efficient in achieving the outputs formalized in the Grant Agreements signed with IFC. For most of these projects the access to Challenge funding has had a medium to high level of additionality, indicating that access to the free resources did make a difference in the speed or scope of development of the respective finance products, systems or innovations. Independent from the stage of development at the start of their respective projects (R&D or pilot), practically all grantees have progressed on their particular development paths to pilot or roll-out. In the search for solutions to improving access to finance, the Challenge has contributed to the development and piloting of financial products and technical tools in SME finance. In several cases, the Challenge funding has played a catalytic role, for example by allowing a grantee to invest in the development of an innovative service, by speeding up the development of a new approach to an existing service or by paying the costs of a pilot at a moment that banks where not yet willing to pay for the service. A lesson learned is that Innovations in different stages of development require varying amounts of time, budgets and types of technical support, and that a funding framework like the one offered under the SME Finance Challenge could not always respond adequately to the needs of the grantees.

Achieving the agreed upon outcome, in most cases expressed as increased access to finance for the target group or the number of SMEs benefiting from access to financial services was more difficult as only seven grantees achieved the project targets. Still, the total of SMEs accessing financial services thanks to the G20 SME Challenge amounts to 46,000 and a total loan value of USD 270 million.

The differences in outreach performance are substantial. While one grantee, a technology provider focusing on asset and liability management in micro finance institutions, contributed to the funding of 33,000 SMEs by client MFIs, seven of the projects reached less than 500 SMEs each. Achieving commercial volume is not easy in an environment sometimes characterized by a culture of subsidy. Necessary conditions for massive client uptake of the services offered include of course products responding to client needs but also improving efficiency and lowering costs at the supply level and recognizing the existence of overcrowded and distorted markets.

Support to technology and service providers, who in turn supply tools or solutions to established financial institutions, potentially contributes more to scaling up SME outreach than directly supporting initiatives carried out by financial institutions. With the support of the G20 SME Challenge, a couple of grantees have further developed innovative technology solutions with significant potential to overcome information bottlenecks and leapfrog financial infrastructure constraints.

This evaluation found limited evidence about the development impact of the projects at the level of the SMEs. Most of the grantees have not systematically monitored the income of the enterprises obtaining access to their financial services or to those of supported financial institutions. The grantee reporting and the project supervision reports presented by IFC contain hardly any information on sales growth or on job creation. The dearth of data is partly a result of the fact that, in spite of the importance of the employment aspect as stated in several Challenge documents, only two Grant Agreements included targets for employment growth. Both of these projects failed to achieve their job creation target. Although not explicitly mentioned in the list of Challenge objectives, some projects adopted a triple bottom line approach and try to achieve social and environmental goals.

All the grantees indicate that they will continue offering services in the field of SME finance, confirming their interest in this market, but only five plan to do so under fully commercial conditions. The other eight indicate that they want to offer their services on partly subsidized terms. As such, they have not yet demonstrated "their potential to be scaled up and sustained over the long-term as public support is phased out", which was one of the original Challenge selection criteria. It is not clear to what extent the selection of the winners considered their economic sustainability.

Several projects have attracted new sources of grant and debt funding, partly because being a winner of the G20 SME Finance Challenge has made them more visible. For the coming years, most grantees see a scaling up potential equivalent to three to five times the number of SMEs reached during the project period. If that potential materializes, the post-project outcome would increase substantially, improving the overall cost effectiveness of the Challenge. In view of this, the SME Finance Forum might be interested in monitoring post-program performance to determine the medium term effects of the Challenge grants.

The project evaluations reveal a mixed picture when it comes to replicability of the models and the services and the possible entry in the market of competitors. The interest shown by other actors depends on the perceived commercial potential of the technology or the product and is also influenced by the success of the grantees' operations.

In a number of cases, grantees have contributed to improvements in SME access to finance at the macro and policy level in the countries where they are operating. For example, some grantees were able to influence legislation in fields like factoring or leasing, or to show that sectors previously considered unbankable can be interesting markets for bank finance.

As for the added value of project supervision by IFC, the more technology-intensive projects and the grantees with existing IFC relationships do recognize IFC's contribution in providing access to know-how and to its worldwide network. Seven projects mention that working with IFC under the Challenge format has made them more disciplined in reporting and/or has contributed to setting time horizons and planning. In other words, grantees have recognized that access to an external source of funding can improve project management and might lead to higher efficiency.

As administrator of the Trust, IFC focused on monitoring the compliance of grantees with their Grant Agreements, leaving limited time for learning and systematizing knowledge.

The SME Finance Forum has made an important effort to promote contact and exchange between the grantees, including an annual gathering of the Challenge winners. These events are an opportunity for formal and informal exchanges between them and with DFIs and other stakeholders in SME finance.

1 EVALUATION METHODOLOGY

Enclude carried out this evaluation to provide an analysis of the G20 SME Finance Challenge and to offer insight into the issues raised in the Terms of Reference.

The work was carried out according to the sequence outlined below.

1. March 2015: Enclude presents the Inception report to FIC, containing:
   - Enclude's methodological approach to the evaluation
   - An Evaluation Framework for each of the 13 Challenge winners. Each framework treats four elements:
     - ✓ A brief description of the intervention logic
     - ✓ An overview of the performance indicators
     - ✓ A summary of the data collection methods to be used
     - ✓ The theory of change

2. March to May 2015[2]: Enclude conducts evaluation of the 13 grant-supported projects to obtain data on their achievements, rate their performance on the key target indicators and obtain answers related to the questions as formulated in the Terms of Reference. The evaluation encompassed the following activities:
   - Analysis of the project documentation received from IFC, including the IFC Project Supervision Reports (PSR) and the progress reports presented by the grantees.
   - Analysis of the Challenge information received from Ashoka.[3]
   - 5 deep dives, including a field visit to these projects[4]
   - 8 light reviews, based on documentary review
   - Questionnaire applied to the 13 cases, focusing on both the project and the program perspective (annex 3).

   Intermediate product: 13 evaluation reports containing an analysis of the achievement of the project's objectives according to the following performance dimensions:
   - Efficiency
   - Additionality
   - Effectiveness
   - Relevance
   - Innovation
   - Sustainability
   - Replicability

3. June 2015: The final report was prepared and presented, focusing on the contribution of the Challenge funded projects to the achievement of the program's goals, synthesizing lessons learned and indicating promising models for scaling up. This stage included gathering and analysis of historical information about the promotion of the Challenge and selection of the winners.

   The final products were a program evaluation report and a presentation for the Annual Gathering of G20 SME Finance Challenge Winners in London on June 24th, 2015.

[2] An overview of people and institutions contacted is included as Annex 2.
[3] It took some time to get access to the Ashoka information as "all the people who had worked on this project have long since transitioned". Communication from Ashoka, 1st June 2015.
[4] Deep dives: Barefoot Power, Capital Tool Company, Global Business Fund, MFX, Root Capital.

2 THE G20 SME FINANCE CHALLENGE

2.1 Challenge background

Small and medium enterprises (SMEs) play a major role in economic development, particularly in emerging economies. SMEs are the single largest contributor to employment and job creation, and account for a significant share of GDP around the world.

While co-chairing the SME subgroup of the G20[5] and preparing for the G20 Summit, the US Treasury originated the idea of organizing a competitive search for innovative ways to improve access to finance, and the G20 SME Challenge initiative was launched in 2009. In September of that year, at the G20 Summit in Pittsburgh, leaders of the G20 countries formally recognized access to finance for SMEs as an issue of pressing importance and called for a focus on this problem as a key means of expanding opportunities and creating jobs for the poor. They committed to launching the SME Finance Challenge as a call to the private sector to put forward its best proposals for how public finance can maximize the deployment of private finance to SMEs on a sustainable and scalable basis. The goal of the Challenge was to identify catalytic and well-targeted public interventions to unlock private finance for SMEs. Maximizing leverage of scarce public resources was to be at the core of the Challenge.[6]

Ashoka Changemakers was contracted to set up the Challenge and to manage the online competition[7]. Private financial institutions, investors, companies, foundations and civil society organizations were invited to submit proposals[8]. After a two round selection process, 14 entrants were selected as winners.

At a ceremony closing the G20 Summit in Seoul Korea in November 2010, the members agreed to commit a total of USD 528 million to scale up the winning proposals from the G20 SME Finance Challenge[9]. President Barack Obama, Korean President Lee Myung-bak, and Canadian Prime Minister Stephen Harper congratulated the winners in person and announced the funding commitment.

In March 2011, the Global SME Finance Innovation Trust Fund (the "Trust Fund") was established at IFC to fund the winning proposals of the Challenge, with donor contributions from Canada, DFID, Korea, the Netherlands and USAID. This Trust Fund makes donor funding available under the program through performance-based approaches.

2.2 Objectives of the Challenge

The view underlying the Challenge was that the competition could identify providers, projects and path-breaking models having the potential to dramatically increase SMEs' access to financial services at scale. The Challenge was meant to find the "best models worldwide that catalyze finance for small and medium enterprises (SMEs)"[10]. These initiatives would receive public money from the donor and DFI community which would contribute to their development and help leverage private finance for their further growth. From the outset it was clear that the "tool" to be provided to the Challenge winners would be financial support. It does not appear that there was any stated intention to guide the Challenge winners or to support them with technical assistance.

2.3 The selection: criteria and process[11]

The following assessment criteria were applied in selection of the Challenge winners[12]:

[5] Interview with Mrs. Ghada Teima, Principal Operations Officer, IFC. Mrs. Teima was involved in the Challenge until the announcement of the winners.
[6] Ashoka Changemakers. Judges' briefing book. 2010. Page 3.
[7] The work of Ashoka Changemakers (advertising of the Challenge, prescreening of the entrants) was funded by a USD 1 million grant from the Rockefeller Foundation.
[8] Ashoka: Initial press release about the Challenge.
[9] www.changemakers.com/SME-Finance Announcement in the Ashoka Changemakers website about the 2010 G20 Summit in Seoul.
[10] Ashoka: Initial press release about the Challenge.
[11] Most of the information in this chapter has been obtained from Ashoka.
[12] Ashoka Changemakers. Judges' Briefing Book. 2010. Page 3.

- **Innovation**
- **Leverage**
- **Social and Economic Impact**
- **Sustainability and Soundness**

- **Innovation:** Entrants were required to propose a systemic and/or transformational solution that is not now widely applied but which has demonstrated potential for unlocking large-scale private financing for SMEs. Proposals were to target SMEs with a focus on the small end of the spectrum.
- **Leverage:** Proposed solutions were supposed to maximize the leverage of scarce public resources in catalyzing private finance.
- **Social and Economic Impact:** Proposals were required to demonstrate a track record with measurable and impact on access to finance, as demonstrated by results from pilot or other empirical testing. Proposals were to credibly estimate the number of underserved SMEs that could be reached over a designated time frame, the volume of private SME finance that could be catalyzed, the amount of finance that would be available to individual targeted SMEs, the new markets and areas to be served by the proposal, and the potential for job creation (where possible).
- **Sustainability and Soundness:** Proposals were required to credibly demonstrate potential for scaling and sustainability over the long-term after public support is phased out. Proposals had to include a realistic time frame for implementation. If public finance was required to implement the proposal, it must be suited to the technical, legal, and financing capacity of the international financial institutions (e.g. The World Bank and regional development banks) and financing institutions (DFIs). Proposals were also required to meet policy and regulatory standards for safe and sound financial systems and for the prevention of money laundering and terrorist financing.

The winning solutions of the G20 SME Finance Challenge had to address one or several of the following barriers and objectives:

- **Barriers**:

✓ Asymmetry of information
✓ Informality
✓ Lack of collateral
✓ Lack of financial capacity
✓ Lack of access to skills / knowledge / markets
✓ Lack of financial products tailored to SME needs
✓ Lack of institutional capacity of financial intermediaries
✓ High transaction costs for financial intermediaries to serve SMEs
✓ Lack of competition / incentives for financial intermediaries to serve SMEs
✓ Underdeveloped local capital markets
✓ General barriers to SME development related to investment climate
✓ Lack of financing for women entrepreneurs
✓ Specific barriers in fragile and weak states

- **Objectives**:

✓ Catalyzing debt finance for SMEs (e. g., local bank lending, supply chain finance, debt issuance) along with related financial services
✓ Mobilizing equity or quasi-equity investments in SMEs
✓ Building the capacity of financial institutions, related financial infrastructure, and any finance-related SME technical assistance needs
✓ Developing regulatory and policy best practices that facilitate SME finance
✓ Addressing gaps in financial market infrastructure to reduce search costs for creditworthy SMEs with growth and profit potential
✓ Expanding SME finance access in fragile and weak states
✓ Addressing the particular barriers confronting women entrepreneurs seeking SME finance

This list shows that the Challenge had a very broad perspective, sending a message to potentially interested parties that the G20 and its SME Finance Forum were open to getting entries from a wide variety of initiatives, projects and institutions. This objective was achieved as the Challenge received 348 entries from more than 50 countries, with the aid of a comprehensive promotion campaign carried out by Ashoka Changemakers, who managed the selection process.

Out of the 348 entries, 281 were declared eligible for review. A total of 35 entries were forwarded to judges and 14 entries were rated as winners.

Breakdown by origin of the 281 entries eligible for review:[13]

- United States: 36
- United Kingdom: 3
- Other OECD (Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey): 56
- Africa: 76
- Asia: 83
- Oceania: 4
- Central and South America: 26

2.4 Institutional set-up and monitoring

After the winners were announced, Ashoka had no funding to continue its relationship with the winners. It assumed that the G20 would be responsible for any follow-up and further relationship building.

In March 2011, the Global SME Finance Innovation Trust Fund (the "Trust Fund") was established at IFC. Under this trust, the G20 designated IFC to administer the funding and to monitor the execution of the grantee projects. In order to formalize its role towards grantees, IFC signed agreements with each of the grantees. These Grant Agreements provide a framework for the execution of the projects and contain clauses about budget allocation, disbursements according to pre-established targets, project performance indicators, reporting obligations, intellectual property rights and a confidentiality clause[14].

2.5 The funding

When the winners were announced, a number of countries and institutions had expressed their support for implementing scalable and sustainable SME financing proposals in partnership with the private sector. This included several bilateral donors and funders as well as IFC, the World Bank, the Asian Development Bank, the Inter-American Development Bank Group, the African Development Bank and the European Bank for Reconstruction and Development. Jointly these parties committed USD 528 million at the ceremony closing the G20 Summit in Seoul Korea in November 2010.

The form of funding available to Challenge winners would depend upon the requirements of winning proposals, and was intended to include grants for technical assistance or capacity building for financial institutions; risk sharing or first loss capital; mezzanine capital; or investment capital.

The grant funding contributed by different supporters of the G20 SME Challenge is summarized below.

Table 1: Contributions to the G20 SME Finance Challenge Fund [15]

Contributor		Gross amount in USD (b)
Canada (a)		20,478,000
Korean Ministry of Strategy and Finance (c)		1,000,000
Netherlands Ministry of Foreign Affairs (c)		3,500,000
DFID (d) (c)		4,700,000
USAID (e)		4,000,000
	TOTAL	33,678,000

(a) 20 million Canadian Dollar. Converted at average exchange rate of 2012
(b) 5% of the pledged amounts as a fee to cover IFC's cost of administration
(c) Part of this contribution is for the establishment of the SME Finance Forum
(d) £ 3 million converted at average exchange rate of 2012
(e) Apart from the 5% fee, Agreement mentions USD 400,000 for administrative costs

[13] Information received from Ashoka Changemakers, 29th May 2015.
[14] At the level of IFC the Agreements were signed by the Director of Access to Finance.
[15] Source: agreements between donors and IFC.

The total grant funding made available by the donors stands at approximately USD 33.7 million. As part of these funds were earmarked for the establishment of the SME Finance Forum, it is not possible to determine exactly the amount available for the Challenge. Apart from the grant funding, a number of donors and institutions also committed investment capital. An example of this is the USD 5.4 million which OPIC contributed to the Medical Credit Fund.

As for the use and administration of the grant money, the following applies:

- The total amount awarded to the 13 winners who signed agreements with IFC amounts to USD 21,919,704[16]. The 14th winner, Swiss-based ResponsAbility[17], did not present a grant request.

- IFC was designated to set up a Trust Fund, to make funding available under the Program through grants for technical assistance, capacity building, research and training in accordance with IFC's Grant Directive. It was agreed that IFC's role would include approval of disbursements and monitoring of the projects. The Grant Agreements between the donors and IFC specify that 5% of the amount received is for the remuneration of IFC[18].

2.6 The expenditure

The following table provides an overview of grant assignments and disbursements to the 13 grantees.

Table 2: G20 SME Challenge Project grants and disbursements 2012 – 2014

	Grant	Disbursed as per 31 Dec 2014	not disbursed
Aavishkaar	1,500,000	1,500,000	0
BPI[19]	1,240,572	744,343	496,229
BAREFOOT POWER	2,000,000	2,000,000	0
BIDx	2,000,000	2,000,000	0
Building Markets	2,000,000	2,000,000	0
CTC	1,500,000	1,262,609	237,391
EFL	2,403,200	2,403,200	0
Equity for Africa	1,400,000	1,194,000	206,000
EFSE	1,000,000	625,000	375,000
GBF	2,500,000	2,500,000	0
MCF	2,500,000	1,875,000	625,000
MFX[20]	1,000,000	1,000,000	0
Root Capital	875,932	613,152	262,780
TOTALS	21,919,704	19,717,304	2,202,400

The grant money became available for most of the grantees in the course of 2012, the year in which IFC signed a "Grant Agreement" with each of the winners. The first Agreements were signed in February, almost one year after the creation of the Global SME Finance Innovation Trust Fund (March 2011) and a full year after Canada signed an Administration Agreement establishing its contribution to the Trust Fund.

The long period between the creation of the Trust and the signing of the Grant Agreements reflects an inefficient process. One cause of delays was the fact that new procedures had to be developed within IFC because the projects had to be treated outside of IFC's Advisory Services project portfolio. Some delays are also due to the fact that most grantees, despite being selected as Challenge winners, didn't have detailed implementation plans ready to submit to IFC as required for an allocation of the grant amount.

[16] This differs from the amount mentioned in the SME Finance Forum Annual Report 2014, Page 15: USD 21,039,704.
[17] ResponsAbility Investments AG is one of the world's leading asset managers in the field of development investments.
[18] Clause 3.7 in the Administration Agreement between the government of Canada and IFC states "at the time of receipt of each contribution from the Donor, five percent (5%) of the amount received shall be deducted from the amount received and retained by IFC as a fee to help cover costs of administration and other expenses incurred by IFC".
[19] Includes a disbursement of USD 496,229 in 1st Q 2015
[20] includes a disbursement of USD 250,000 in 1st Q 2015

The grant agreements specify the time, place and conditions of disbursement and set forward a disbursement scheme whereby the grantee, after a first disbursement, has to achieve performance targets in order to receive further disbursements.

The agreements also specify the contribution of the grantee. In some cases (e.g. Intellecap/Aavishkaar), the grantee committed to providing parallel funding of at least 50% of the project's cost. In other cases, the grantee's contribution had to be raised and the grantee was deemed "responsible for raising external funds to cover at least two thirds towards the project budget" (e.g. GBF and MCF). At the same time, we found one agreement (with BPI) not establishing the grantee's own contribution.

The distribution of funds among the 13 winners is fairly uniform, with 9 of them receiving between 1 and 2 million USD.

As of 31st December 2014, total disbursements to the winners stood at USD 19,717,304, reflecting a 90% disbursement rate[21].

[21] This includes 1st Quarter 2015 disbursements for BPI and MFX.

3 THE PROJECTS

3.1 Composition of the Portfolio

The following table presents an overview of the 13 grantees, the focus of their winning projects and the geography where these are executed.

Table 3: Grantees of the G20 SME Finance Challenge

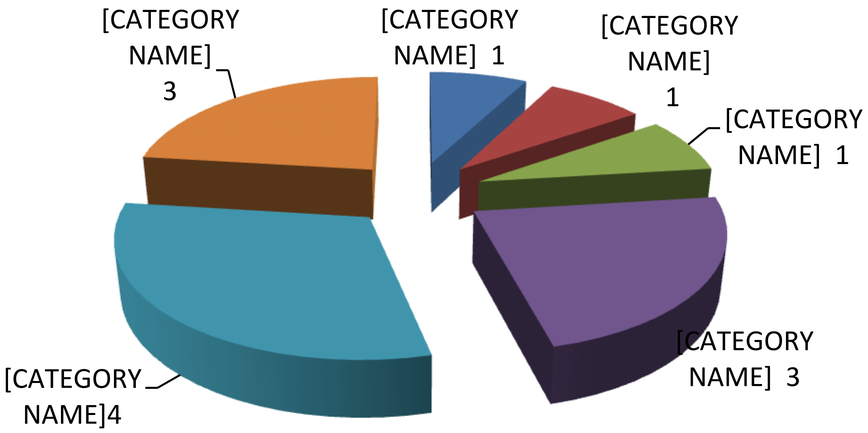
Grantee	Core activity	Project countries
Aavishkaar	Link high potential SMEs with angel investors, using two platforms (Intellecap and Sankalp)	India
Barefoot Power Ltd.	Supplier credit for solar lamps	Sub-Saharan Africa
BID Network (BIDx)	Platform to link entrepreneurs, funders and coaches leading to investments in SMEs	Global, focus on Africa
BPI - Bank of the Philippine Islands	Energy efficiency and renewable energy finance for SMEs	The Philippines
CTC- Capital Tool Company	TREFI model: data analysis based risk management leading to improved credit decisions for SMEs	Peru
EFL - Entrepreneurial Finance Lab	Psychometric credit scoring tool for loan client appraisal	Mexico, Peru, Pakistan, Indonesia
EFSE (Oppenheim Asset Management)	Promote local currency lending	E. Europe & Caucasus
Equity for Africa (EFA)	Equipment leasing for rural SMEs and farms	Tanzania
GBP - Grassroots Business Partners	Funding and TA for high-impact businesses	Ghana, Kenya, Tanzania
MCF - Medical Credit Fund	Lending to private health-care SMEs	Ghana, Kenya, Nigeria, Tanzania
MFX Solutions	Enhance capacity of SME lenders to manage risks	Kenya, Uganda
PDT - Building Markets	Guarantees for SMEs to compete in donor procurement	Liberia, Mozambique
Root Capital	A combined offer of value chain finance and training to Small and Growing Businesses (SGB)	Mexico

The table reflects a broad mix of projects in different areas of intervention. The portfolio contains grantees with widely varied profiles and with different approaches to the market for SME finance. Some of the grantees are service providers who work with financial institutions or investors who in turn provide clients with access to funding: BIDx, CTC, EFL, EFSE, MCF and MFX. Others are financial service providers who transact directly with SMEs. The latter category is not uniform either: it encompasses entities as diverse in orientation and core business as BPI, one of the biggest and oldest banks of the Philippines that provides financial services to leading companies, and Root Capital, a social lender focusing on rural enterprises. Other grantees are social lenders which target particular social groups (e.g., small farmers, poor households) and provide access to finance plus other services. The latter group includes EFA, GBP and Root Capital.

The geographical distribution of grantees shows a focus on Africa with 7 of the 13 projects covering one or more countries in that continent. Three projects work in Asia and three in Latin America. One project is carried out in Eastern Europe and the Caucasus.

Whereas the focus of the project work is in developing and emerging markets, ten of the thirteen grantees are headquartered in an OECD country. Two are based in Asia. Aavishkaar and BPI, while EFL is based in Latin America but originated in the USA. None of the grantees are based in Africa.

Figure 1: Home base of the G20 SME Finance Challenge grantees



It is notable that 75% of the Challenge winners are headquartered outside the countries where their projects would be executed. The relative lack of winners based in Africa, Asia and Latin America might be related to the low quality of the proposals submitted by local organizations. The selection criteria also asked for projects to have "a clear, measurable financial access impact, demonstrated by results from pilot or other empirical testing" and to "describe a systemic and/or transformational solution that is not now widely applied but which has demonstrated potential for unlocking large-scale private financing for SMEs". It is possible that few of the proposals of African or Latin American organizations responded adequately to these requirements.

3.2 Project type

3.2.1 Areas of intervention

The 13 winners can be classified into 7 groups, based on the problems they were seeking to address[22]:

Table 4: Area of attention of the G20 SME Finance Challenge projects

Area addressed	Project
Funding of FIs, Underdeveloped local capital markets	CTC MFX solutions EFSE
Sector specific lending	Medical Credit Fund BPI Barefoot Power
Unavailability of financial products tailored to SME needs	Equity for Africa (leasing) BPI
Lack of collateral	CTC PDT Building Markets Equity for Africa Medical Credit Fund
Asymmetry of information[23]	CTC EFL MCF
Lack of SME access to skills / knowledge / markets Capital Plus approach (finance and BAS, training)	Aavishkaar BIDx Root Capital Grassroots Business Fund
Linking entrepreneurs with (venture) capital and know how	Aavishkaar BIDx

[22] Some projects address more than one barrier to access.
[23] Information solutions offered through technology for smarter MSME lending

Table 4 reflects an interesting variety of projects, touching upon key bottlenecks and opportunities for SME finance. The grantees in the project portfolio also cover clients from both the top and the bottom of the SME pyramid.

Notwithstanding the diversity of the grantees, the SME Finance Challenge portfolio also has some notable gaps:

- Legal and regulatory projects, in spite of the fact that one of the objectives that could be addressed was “developing regulatory and policy best practices that facilitate SME finance”;
- Aavishkaar and BIDx focus on linking SMEs with investors but the Challenge portfolio contains no examples of new forms of equity and debt funding for SMEs such as crowd funding and peer-to-peer lending; and
- Mobile phone technology and alternative delivery channels to provide SMEs with improved access to finance and client related services are not represented.

3.2.2 Phase of development funded by the Grant

The G20 SME Challenge supports innovation and seeks to contribute to the successful introduction of promising new solutions to the market. As in all industries, the development path of these services passes through different stages, from idea generation to market launch and, if successful, massive application, continued product development, adjustments for new markets and entry of competitors. Within the development sphere, the funding of these different stages is often made possible by the contribution of external funding from a range of players, including social investors, development banks and donors.

The success of this external funding can be measured by the recipients’ progress through the different stages of product development and market penetration. To analyze success of the G20 SME Challenge in this regard, we have classified 12 of the winners[24] according to their stage of development at the moment of award and then four years later, at the end of 2014. We define the stages of maturity as follows:

- **R&D.** The promoters have developed an idea or concept that could become a method or solution to address access to finance. The product is being researched and refined, but it not yet offered in the market to any significant degree.
- **Pilot stage.** The solution developed in the R&D stage is being tested under real but subsidized circumstances. During this stage, the grantee is testing the market to assess the offering’s commercial prospects and to continue adapting the product to client needs and to get insight into its sustainability.
- **Roll out.** The product or solution is fully developed and has successfully passed the pilot stage. The promoter has decided to roll out the product or solution although subsidy might still be needed at this stage, for example to establish a branch network or to include features that can “convince” potential clients to buy the product (e.g. training or TA).
- **Massive application.** The product or technology has been fully accepted by the market. The promoter no longer needs public money or other grants.

Table 5: Challenge Winners’ Stages of Development

	R&D	Pilot stage	Roll out	Massive application
At the moment of winning the Award (2010)	BIDx CTC MCF	EFL Equity for Africa MFX PDT Building Markets Root capital	Aavishkaar Barefoot Power BPI Grassroots BP	
End of 2014		CTC	BIDx EFL Equity for Africa Grassroots BP MCF MFX PDT Building Markets Root capital	Aavishkaar Barefoot Power BPI

[24] Due to the nature of the project we could not classify the foreign exchange project of EFSE.

The table above shows that clear progress has been achieved. With few exceptions, most projects have made it to the next stage of development. Although this progress is not exclusively attributable to being a Challenge winner, the project evaluations show that the combination of increased access to funding and the discipline of operating within a performance framework did add to the efficiency and effectiveness of most of the operations.

- Eight projects are in the roll out stage, although several of them still need subsidy.
- In 2015, EFL expects to break-even on a stand-alone basis without grant support[25].
- Several projects have attracted new sources of grant and debt funding, partly because winning the G20 SME Finance Challenge has made them more visible. A good example of this is the Medical Credit Fund, whose founders recognize that being a grantee has opened many doors. The funding partners of this relatively young Dutch fund (created in 2009, just one year before award) now include The Bill & Melinda Gates Foundation, Deutsche Bank, FMO, OPIC, the Soros Fund and USAID.

[25] EFL questionnaire.

4 PROJECT PERFORMANCE

In this chapter we present the main findings of the evaluation of each of the 13 projects, and summarize our findings on the following performance dimensions:

- Efficiency
- Additionality
- Effectiveness
- Relevance
- Innovation
- Sustainability

At the end of the chapter we include a brief analysis of the sustainability of the business models.

4.1 Aavishkaar

Aavishkaar Venture Management Services Ltd. is an Indian firm facilitating investments in micro, small and medium enterprises. It pursues its objective through two of its initiatives: (1) The Sankalp Investment Forum (SIF), which is an annual platform for investors to link with potential social enterprise investees; and (2) the Intellecap Impact Investors Network (I^3N), an impact-focused investor network of high-net-worth individuals and corporations focused on funding high-growth, early-stage enterprises that generate double or multiple bottom line returns.

The G20 grant was to support both platforms in catalyzing investment in sustainable and scalable social enterprises[26] by linking investors to MSMEs. In fact, both Sankalp and Intellecap met and in most cases surpassed their output performance targets.

The projects were **efficient** in that they met these targets with minimal budget variance. The two Aavishkaar projects **are considered effective**, since they have met and surpassed their outcome performance targets. Sankalp and Intellecap continue to make significant progress in connecting investors to MSMEs. According to Aavishkaar, over 80% of investors that signed up are completely new to the social enterprise space, indicating the two platforms' capability in facilitating the movement of traditional investors into the impact investment space, in turn creating more funding avenues for SMEs.

Aavishkaar's strategies for gaining exposure through investor outreach -- such as partnership arrangements with other angel investors, online marketing initiatives and collaboration with renowned investment platforms -- were key success factors in strengthening the investment network and platform. In addition, Aavishkaar developed the capacity of investees in order to make them investment-ready, contributing to the confidence of the investors and facilitating the development of the ecosystem as a whole. The Aavishkaar **projects can be regarded as relevant** because they met and surpassed their impact targets.

The average investment provided to MSMEs is USD 600,000, which raises questions about the scale of the selected enterprises.

T**he intervention crowded in** investments to the projects during 2012 and 2013 when the G20 grant was used. Aavishkaar was able to attract fresh capital to support MSMEs, as the total funds under management increased by more than 100 percent between 2012 and 2014. The Aavishkaar project **has been innovative** because of its value proposition in bridging the information asymmetry existing in the social investment market, and facilitating the interaction between investors and investees.

The Aavishkaar projects have **proven to be sustainable**, as fees generated from the completed deals have been used to sustain and scale the business. However, it is important to note that the G20 fund was fundamental in catalyzing the Aavishkaar initiatives to reach scale. Aavishkaar is committed to continue scaling up Intellecap and Sankalp and has recently expanded the projects to East Africa.

[26] Aavishkaar defines social enterprise as entrepreneurs focusing on agriculture, dairy, education, energy, handicrafts, health, water and sanitation, technology for development, microfinance and financial inclusion

4.2 BPI

Bank of the Philippine Islands (BPI) is the oldest bank in the Philippines. It is the country's third-largest bank in terms of assets and the largest in terms of market capitalization. BPI applied for the G20 SME Finance Challenge grant in order to scale up its Sustainable Energy Finance (SEF) program. The SEF program's goal was to increase SMEs' access to finance for energy efficiency (EE) and renewable energy (RE) projects and to further promote these businesses' growth and sustainability.

BPI has achieved most of the expected outputs under the G20 Grant; however, we find **limited attribution** of outputs to the G20 Grant, due to the fact that as of the end of 2014, only 29 percent of the Grant had been utilized. BPI has been using its own internal resources to achieve most of the outputs and outcomes as defined under the Grant Agreement, especially during the last six months of the grant period (January-June 2014), where BPI's contribution increased 570 percent.

The G20 Grant has been used only for certain components of the project, such as staff education and training on EE/RE finance products and customers, as well as to incentivize staff to identify potential green-energy projects during field visits. BPI justifies this selective use by the fact that grant money is hard to come by, and for this reason it wants to prolong use of the grant on market education and internal capacity building until 2017.

The evaluation revealed that for BPI, this combination of grant plus internal resources has ensured the **efficiency and sustainability** of the project over time. The project is found **relevant** to the SME Challenge goals not only in that it delivers finance to SMEs, but also because it promotes sustainable energy and clean energy projects. The estimated **impact** is relevant in terms of greenhouse gas reduction and energy saving.

IFC and BPI have a longstanding relationship. In 2012, when BPI signed the G20 Grant Agreement, IFC was implementing the second phase of the SEF program to which BPI is a major counterpart. The activities promoted under SEF II partly overlap with the activities carried out by BPI under the G20 Challenge. This relationship might also explain IFC's flexibility on the use of the Grant for SEF.

One of the lessons learned is that grants provided to institutions with adequate capital might result in low utilization of the grant itself. When the G20 Grant was given to BPI, the Bank already had funding from the SEF program. The Challenge grant allowed BPI to boost budget allocations for the SEF Program's marketing and educational campaigns and the funding of a lecture series devoted to SEF. The Grant provided comfort to BPI to further invest in the SEF program, which points to a quite cautious approach to this market. The grant funds still available will allow BPI to achieve additional outputs and increase the achievement of outcomes, further scaling up the program.

Despite its excellent performance and results, the project has not been able to increase access to finance for SMEs, given that more than 90 percent of the SMEs financed by BPI under the SEF program were already part of the formal financial sector. This might reflect BPI's traditional banking approach, which rests on strict qualifying criteria. The risk-sharing facility (a guarantee) established by USAID and LGUGC in BPI (and managed by IFC) could have improved the risk-appetite of the Bank to finance smaller SMEs that are not able to provide collateral. The average loan size per SME has remained around UDS 2 million, reflecting that BPI's clientele for the SEF program belongs to the upper bracket of medium-sized enterprises and probably also includes large enterprises.

4.3 Barefoot Power

Barefoot Power Pty Ltd is a for-profit entity incorporated in Australia to provide affordable lighting and phone charging products for low-income populations that do not have access to electricity. In 2008 Barefoot Power set up the Trade Finance Facility. This trade finance program supported Barefoot Power in increasing container shipments and orders of solar LED lighting systems to over one million people during the years 2008-2011. This was accomplished with USD four million in debt finance without any defaults to investors. This preceded the application for the G20 SME Challenge Grant.

The continuation of the TFF was facilitated by the project funded by the Grant, the primary objective of which is to develop a trade finance facility targeted at importers and their local retailers to increase energy access in Africa. Additional objectives of the project included:

1. establishing a platform to provide flexible customer credit for periods of 90 days or longer;
2. mobilizing USD 3.5 million additional investment using risk guarantees with increasing leverage over time;
3. strengthening Barefoot's HR and IT systems by setting up a MIS; and
4. providing training to 700 SMEs/Technicians on entrepreneurship, service and maintenance of solar lanterns.

By the end of 2014, Barefoot Power had achieved all except one of the performance targets set by the Grant. The financing facility was used to lend to 1,662 SMEs/importers. Twelve financial institutions used the risk facility, while 3,175 technicians were trained on maintenance of products sold and 615 SMEs received training on business model development, customer service and awareness of the social benefits of their business. Barefoot also managed to update its MIS system to better manage the Facility. During the period of the Grant, Barefoot Power disbursed a total of 214 loans with a cumulative value USD 6,998,321.

The Project has been **efficiently implemented**. However, the Project **did not provide significant additionality** in serving the SME clients in the market. Barefoot Power was already offering trade finance through the TFF prior to applying for the Grant. The primary advantage was in the scaling up of the lending facility. Receiving the Grant also resulted in a crowding out effect. Due to the company's internal resources being released from the TFF, the company was able to redirect them towards other sales channels. Discussions with company staff revealed that the management has shown greater interest and commitment towards other sales channels including corporate sales (department stores), SACCOs (who sell to members), and NGOs (which donate the products to households). This interest in other channels is further motivated by collection problems with loans to SME borrowers.

The project can be considered **sustainable**. Barefoot Power will continue to use SMEs to sell its products, although the proportion of sales through this channel is expected to decrease due to the higher operational cost compared to alternatives. The project has contributed to the sustainability of Barefoot as sales have increased throughout its duration.

The project is **moderately innovative** as it contributed strengthening the existing TFF. The major contribution was in scaling up the operations of Barefoot Power.

There have been a number of imitators of Barefoot Power's products and operations. Barefoot's scaling up of operations demonstrated the market potential and has resulted in competitors offering similar solar-powered products. Barefoot continues to be the primary provider of credit sales, unmatched as yet by competitors.

Barefoot has expressed deep appreciation for the continued support provided by the IFC Project Liaison, Arthur Itotia Njagi. Barefoot faced a significant challenge due to the six-month delay in grant fund disbursement. This resulted in higher fixed costs for the company. In addition, the lag in the product supply due to shortage of funds provided an opportunity for competitors to flood the market with competing products. Barefoot attributes this setback to the internal bureaucracy of IFC.

4.4 BIDx

BID Network Foundation (BID Network) was established in 2006 in The Netherlands with a mission of contributing to the solution of three problems in developing countries:

1. The missing middle problem, or lack of financing to SMEs
2. The problem of high transaction costs in small loans; and
3. The lack of deal flow for linking SMEs with funders

With 36,000 members, the original BID online platform (www.bidnetwork.org) was intended to stimulate economic growth and entrepreneurship through online entrepreneur-investor connections. BIDx B.V.

(BIDx) was incorporated in July 2011 under Dutch Law, with joint ownership by BID Network and Sampoerna Mekar PTDE Ltd (Sampoerna) from Singapore. The main objective of BIDx is to be the most effective financing platform for emerging market entrepreneurs and investors, and to be more effective in financing SMEs than traditional financial institutions. The IFC G20 Grant was used for the development of the BIDx online platform, linked to different levels of web releases.

Despite not achieving all the outputs and outcomes defined under the Grant Agreement, we rate the BIDx project as **efficient and effective**. In a period of two years, 567 businesses were coached and a total of 155 received funding. Based on these results, BIDx is a good example of how modernizing pays off. The institution has used its conventional three-player approach (linking entrepreneurs, investors and mentors) and has integrated an element of modern technology in the BIDx platform. The result was a considerable increase in the level of transactions and increased relevance to the goal of fostering entrepreneurship and SME financing.

The G20 Grant has contributed to the development of this platform and as such the improved performance of the model is partially **attributable** to the grant. The project is **innovative**, given that linking entrepreneurs to investors and mentors is a promising approach, and by the fact that it has been powered through the use of technology. As it stands now, the model is **partially sustainable**, and BIDx is looking for ways to commercialize its product.

One of the lessons learned is the need for clarity on the documentary proof the Grantee must provide to IFC to support the achievement of outputs/outcomes. The lack of well-defined Means of Verification (MoVs) for each indicator resulted in changes concerning documentary requirements by different IFC program officers, causing an additional reporting burden for BIDx.

4.5 Building Markets (formerly PDT)

Building Markets (BM) received a G20 Grant to implement its Factor Finance for Procurement project (3FP), which seeks to close the gap that local SMEs in Liberia and Mozambique face in competing for international procurement opportunities. The 3FP project's objective is to design, develop and roll out a Loan Guarantee Facility for lines of credit from local financial institutions to SMEs who win procurement contracts, and to provide counseling and training services to SMEs on getting access to credit.

The BM intervention **was inefficient** and did not meet most of the output targets specified in the grant agreement. An important reason for the project's underperformance has been the substantial decrease in funds provided as the project had to operate with only 6% of the original USD 32 million project budget. Furthermore, the Challenge funding arrived more than a year late. Since project was not funded as designed, guarantee capital, a core element of the project's business model had to be sourced from a third party. This led to delays and was directly responsible for the inefficiency. BM spent almost a year trying to achieve an agreement with banks before it eventually decided to leverage existing credit guarantees of USAID and Thembani Guarantee Fund.

The inefficiency of the project also resulted in **low effectiveness,** as BM fell short of most of its outcome targets. Collaboration with lenders was a critical success factor for BM's project, and being unable to secure the guarantee fund made it difficult for BM to convince the participating banks to lend to SMEs. In addition, the nature of the markets in Liberia and Mozambique was a limiting factor to collaboration with the banks. Banks in post conflict countries often face liquidity issues, which in turn affect their risk thresholds and willingness to participate in a business model like BM's.

The evaluation reveals that the 3FP project was experimental in nature and showed limited understanding of the local financial markets. BM did not have prior knowledge or did not take into account that financial institutions in Liberia and Mozambique move slowly when it comes to innovation. BM did not conduct in-depth market research to understand the underlying challenges, a consequence of the fact that the project had to launched with only 6% of the original budget which limited staff spending.

The fact that financial institutions were wary of collaborating made **sustainability** unachievable. In addition, the grantee has not generated enough fees to sustain the business. In Liberia, the operation was shut down due to the Ebola crisis.

The 3FP project is **innovative** and builds partially on the success of Building Markets projects in Afghanistan, Haiti and Timor Leste. However, the business model would have to be revised to an extent where it can eventually be operated sustainably without the need for donor / public funds. The project in its current iteration is **replicable, but only with donor funding**. In order to properly evaluate the likelihood of success of a business model like PDT, as a greenfield initiative it would need more time to gain traction in the fragile post conflict markets in which it operates.

4.6 Capital Tool Company

The TREFI project in Peru is an initiative of Capital Tool Company BV (CTC), a small company based in The Netherlands. TREFI is an innovative platform oriented at enhancing access to funding for MSMEs. It can process multiple-source data on credit behavior of enterprises and uses that data to provide a variety of services. These include receivables management and Probability of Default (PD) analysis. TREFI also offers risk analysis tools for financial institutions.

In the past three years, CTC has been working on the development of its data platform and has actively marketed or presented its TREFI scheme to over six hundred enterprises[27]. It has made important progress on incorporating enterprises and financial institutions as part of its data platform. By the end of 2014, the platform contained over 643,000 MSMEs with PD data. Substantial progress has been made in achieving the outputs agreed upon in the Grant Agreement, although it has taken considerably longer than planned. Reasons include the very small staff in the Peru office, the long process to obtain approval for funding from development banks, the large number of deliverables mentioned in the G20 Grant Agreement, and the complexity of the TREFI technology. Based on the above, we rate the project as **partly inefficient**.

As for the outcome, by the end of 2014 the number of MSMEs benefitting from expanded access to financial services as a result of the grant project amounted to 933. These are mainly clients of AXUR, a wholesaler of automotive lubricants that has been funding receivables under a contract between TREFI and Peru's development bank COFIDE, with the latter offering the funding. In view of the original project target of 15,000 MSMEs served, we rate the project as **ineffective.**

So far, the project's development **additionality has been limited,** but the potential effect in terms of financial inclusion is vast. The enterprises contacted by CTC range from small distributors in the food sector, who are interested in getting access to a smart way to decrease their cost of financing outstanding invoices, to some of the biggest companies in the country.

CTC indicates that if it had not received the G20 Grant, it would have continued the TREFI project with its own resources and would have tried to attract other sources of funding including equity. In line with this, CTC is of the opinion that the G20 Challenge funding scheme delayed raising private equity finance in the period between winning the grant (2010) and the grant money actually becoming available (2012). We found no evidence that CTC would have been successful in raising this equity investment.

The **sustainability of the service is low**. To date, TREFI has been dependent on grants and contributions of its parent company, CTC. As a small company, CTC has been looking for an investor and, according to the company; the Dutch Government and IFC have recently confirmed their interest. External investment will not only be crucial for the survival of the TREFI initiative, but can also contribute to its negotiating power and credibility in the eyes of customers and financial institutions. Investors can also play an important role in improving the company's governance and in shifting the balance from the current R&D focus to successfully selling a limited number of core services.

The TREFI methodology gets **very high** marks for being **innovative** and having great potential to increase access to funding for MSMEs. Support by new investment partners and successful growth in Peru can open up the market for TREFI in other countries. This would allow CTC to capitalize on the considerable

[27] Details included in the report on Challenge Winner CTC..

investment by the G20 Grant and other development partners who have had the vision to invest in this initiative.

4.7 Entrepreneurial Finance Lab

Entrepreneurial Finance Lab (EFL) was founded in 2010 as a platform for the development and future commercialization of the EFL psychometric tool, the first of its kind to scientifically and statistically measure risk of default by including entrepreneurs' personality traits and cognitive styles into the credit assessment. The G20 Grant aimed at allowing EFL to further automate and calibrate its tool, implementing it in a number of financial institutions around the globe.

The SME Challenge project has contributed substantially to EFL's development, revealing a high degree of **additionality.** The G20 Grant allowed EFL to overcome almost two years of limited income due to financial institutions' hesitancy to implement a tool without testing it first. This is turn lead to long sales cycles and testing periods with limited revenue.

Based on the somewhat outdated information we received, it seems the project has been able to achieve all agreed outputs and we rate it as **efficient.** As for achievement of the outcomes, by the end of 2014 only 10 percent of the target for the key indicator "number of financed SMEs in the applying FIs" had been achieved. We rate the project as **partly effective**.

The development and application of the EFL tool is **highly innovative**, as it is the first assessment tool in the market that includes the entrepreneur's soft skills in the overall credit assessment. The active and continued participation of several financial institutions in the G20-funded project demonstrates initial acceptance of the tool and has laid the basis for a wider application. The EFL model has received generalized acclaim and imitators have emerged, confirming the **catalyzing effect** of the project. Further work is underway assessing the specific impact of the tool on improving credit risk assessment**.**

For the time being, EFL continues to depend on grant funding but the increasing willingness of banks to pay for EFL's services indicates that the model is **progressing towards sustainability.** The continued development of the model and its increasing acceptance by banks during the project period are results that are **clearly attributable** to the G20 SME Challenge. Several participating banks created what is called an "EFL Loan", a loan that is not processed according to the bank's standard procedure and qualifying criteria, but instead uses the score from the EFL tool in credit decision making. SMEs that previously would not have qualified for a loan can now become loan clients, contributing to the financial inclusion of MSMEs.

4.8 Equity for Africa

Equity for Africa (EFA) is a non-profit organization with the mission to mitigate poverty by creating sustainable employment through the provision of equipment finance to small businesses and farmers. About 50% of EFA's activities are aimed at agri-businesses and farmers to increase agricultural productivity and benefit rural livelihoods. Through its Tanzania subsidiary EFTA, EFA provides flexible financial leasing products (ranging from USD 2,000 to 50,000) designed to address the significant gap in financing for SMEs who lack formal collateral and are therefore excluded from traditional commercial finance. The G20 grant project provided support to EFTA to expand availability of lease financing to SMEs, agri-businesses and farmers. The G20 grant also sought to promote leasing penetration in Tanzania.

EFTA met all of its output targets including: delivery of workshops, training events, seminars and conferences; increasing awareness of leasing as a financing option among SMEs; building a supplier network; and implementing a technology platform and a risk management system to enhance its capacity to serve its customers. The **project is highly efficient** given that it required less than the anticipated cost to meet its outputs targets.

EFTA fell short of its outcome targets as a result of several challenges it encountered during the initial stage of the project, including: delay of the initial receipt of funds after signing the grant agreement contract; delay in finding the right human resources; logistical and operational issues with equipment suppliers; delay in PEAK I funding; and delay in securing funding to expand geographically.

However, EFTA was able to overcome these challenges and strived to put the project back on track. By the end of 2014, EFTA had grown its equipment supplier base by 117 percent, improved its portfolio health by six percent to meet the target, and put in place plans to extend its branch network from three to four by the first half of 2015. It can be concluded that the **project is partly effective** in delivering the targeted outcomes.

In addition to effective and efficient operational processes, such as standardized credit processes, trained staff and other technological improvements, a **critical success factor** for EFTA is its in-depth knowledge of the Tanzanian market and leasing business. The inherent risks that EFTA was able to mitigate as a result include non-reputable suppliers chosen by lessors; informal supplier management; and customer segments whose needs do not align with the value proposition of EFTA's product. EFTA was able to mitigate these risks by acquiring the right suppliers; focusing on the needs of small enterprises and farmers rather than building a conventional leasing company; and using targeted SME marketing tactics, which increased EFTA's chances of connecting with and converting investment ready-entrepreneurs.

The G20 funding was **catalytic** in getting the necessary infrastructure in place for EFTA to solicit investments for the leasing project, and there has been **a crowding in effect** of investments as EFTA was able to secure USD 5 million funding from AgDevCo. This new funding, in addition to providing the necessary core capital to progress to a sustainable financial leasing institution, will enable the company to originate larger loans. According to EFTA, the project is **on track to be sustainable** and the business model is projected to break even by 2018.

Another measure of its catalytic effect is that EFTA has contributed to the development of leasing in Tanzania. The Bank of Tanzania has incorporated leasing finance as one of the major pillars of its agricultural finance policy, and EFTA is often invited to speak on leasing-related topics. Recently, EFTA has been asked to support the Bank of Tanzania in the development of the country's monitoring framework for the leasing business.

The EFTA leasing project **is innovative,** as it provides access to equipment leasing with no additional collateral required, an uncommon business model in Tanzania. There is a strong likelihood that the EFTA business model **will be replicable** and will contribute to the overall development of the leasing ecosystem in the country.

4.9 EFSE

The European Fund for Southeast Europe (EFSE or "The Fund") is a public-private partnership replenished with funds from various donor agencies and European governments, international financial institutions and private investors. The European Fund for Southeast Europe Development Facility (EFSE DF) was created in 2006 to support EFSE's development finance mandate, specifically to enhance the long term development impact of EFSE's investments in Partner Lending Institutions (PLIs) and to maximize the outreach to micro, small and medium enterprises and low-income households that would otherwise have no access to financial services. The G20 Grant was made available to the EFSE DF in January 2012 and was intended to exclusively fund EFSE DF's project on increasing the use of local currency funding by financial institutions (FIs) in the target region through raising awareness, research and capacity building. The project also explored the development of an innovative local currency financial instrument.

Activity areas included:
1. sector-wide campaigns to raise awareness on local currency issues,
2. research on foreign exchange (FX) risks to provide insights into the distinctive financial markets of the target region,
3. capacity building for individual financial institutions including client educational booklets and a movie, and
4. covering part of the operating and legal costs associated with the establishment of an innovative local currency structure.

EFSE DF's project is rated **efficient**, despite the fact that the time needed to achieve the outputs has been longer than planned. This was particularly due to the demand-driven nature of EFSE TA, which requires a cost share from institutions when implementing a capacity building project. EFSE requested an extension of the Grant period until December 2015, in order to achieve the remaining outputs. One of the lessons learned is that the uptake of local currency lending depends on a number of external factors, including the country context, the macroeconomic environment, and Central Bank policies. For this reason, delays in program implementation are intrinsic and unavoidable.

We rate the project more partly effective, given the fact that some outcome indicators were achieved to a greater extent than others. There is **partial attribution** of the outcomes of the project to the Grant. The outcomes related to the Armenia Local Currency Facility can be attributed to the Grant, as the facility was created in December 2011, and the G20 Grant supported its development from 2012 until it was fully operational in April 2013. It is not possible, however, to establish attribution for the other outcomes (i.e. additional volume of local currency funding allocated to SMEs and total number of SMEs financed). Due to the nature of EFSE's project activities, it is impossible to make a direct causal connection between the grant and increased financing for SMEs.

The development additionality of the G20 Grant is reasonable given that the earmarked funding for the local currency initiative enabled the DF to focus on this topic and others through research and development of new tools. In view of the fact that EFSE has access to several donors, we rate the input additionality as limited.

The G20 supported EFSE DF project presents **limited innovation,** as the use of a financing plus TA approach is common in the development finance industry. The only element of innovation was the establishment of a LC Facility in Armenia, which represents a new approach to fostering local currency financing to and by FIs.

4.10 Grassroots Business Partners

Grassroots Business Partners (GBP) is the non-profit arm of the Grassroots Business Fund (GBF), which began as an IFC project in 2004, under the name Grassroots Business Initiative. In 2008, it became an independent non-profit with seed funding from various donors. In 2011, GBF launched a USD 49 million for-profit investment fund called Grassroots Business Investors Fund I, L.P. (GBI-I), with investments from FMO, DEG, Deutsche Bank Americas Foundation, OPIC and the Calvert Foundation as well as a large number of private individuals acting as angel investors.

In 2012, GBP was awarded a grant of USD 2.5 million from the IFC G20 Challenge Fund. This amount has been fully disbursed. The objective of the IFC G20 grant was to expand GBP's operations with High Impact Businesses (HIB) in Africa. The expansion focused on developing funding platforms for farmers, artisans and entrepreneurs through the supply chains of these HIBs in West and East Africa. Other goals included the provision of business assistance to investees in Kenya, Ghana and Tanzania and the strengthening of GBP's operations in Africa.

By mid-2014, GBP had met practically all the output and outcome targets stated in the Grant Agreement. We therefore rate the project as **highly efficient and largely effective,** as the only outcome indicator that had not yet been achieved by mid-2014 can still be achieved by the end of the grant term.

It is too early to say whether the expected impact has been achieved at this stage, as only one of GBP's investees had been receiving Business Advisory Services (BAS) for three years by the end of 2014. Moreover, as GBP is not required to report on the impact indicators mentioned in the Grant Agreement, it is not possible to determine where they stand at this stage. The grant has been **relevant** as the intervention is likely to achieve some significant impacts. However, based on the financial statements of the investee companies that were analyzed, there is reason to believe that the time-frame to achieve the expected impact may have been too optimistic.

The G20 grant has generated **good development additionality** as it enabled GBP to deepen its offer of BAS to investee companies**. The input additionality is very limited** as GBP already received support from several donors and development finance institutions.

At this point in time, the GBP business model is **not financially sustainable** in Africa, since revenues from loans and investments do not cover the cost of the BAS. A part of that cost (ranging from 10 percent to 50 percent) is covered directly by the companies while the rest is subsidized. There is not yet enough evidence to confirm that the investee companies become more sustainable and eventually outperform the market thanks to support from GBF.

GBP's intervention model is **not very innovative**, as it involves no new technology or approach. At the same time, the combined offer of access to finance and BAS is not common in Africa.

The G20 grant enabled GBP to strengthen its local capacity and expand its operations in Africa. As a result, the organization has involved more local staff in the provision of BAS to investee companies, enabling it to be more flexible and responsive to clients' needs and increasing its ability to monitor developments inside the companies in real time.

4.11 Medical Credit Fund

The Medical Credit Fund (MCF) enhances access to affordable quality healthcare for low-income Africans by supporting healthcare SMEs in Africa by. MCF pursues its mission through a dual strategy:

- Facilitating access to bank finance for healthcare SMEs
- Improving and measuring the quality of their services and providing a certification called SafeCare to the SMEs that receive a loan.

The target SMEs include smaller hospitals, health centers, dispensaries, maternity homes and nurse-driven clinics. The G20 grant fund was provided to support MCF in reducing the investment risk for these lower and mid-tier primary healthcare providers and to encourage local banks to lend to the health sector in Ghana, Kenya, Nigeria, Tanzania, and a fifth country to be added.

Information available on the grant execution between 2012 and 2013 reveals that MCF's Challenge-supported project has been **efficient**, meeting most of its output targets. Based on the information available (2012 – 2013), the MCF intervention is considered **effective,** having met and surpassed its sole outcome target which is the number of SMEs that benefitted from expanded access to financial services. MCF delivered the output and outcome targets in time and according to plan. The intervention **is relevant** given that MCF achieved its impact performance target.

The project has been instrumental in showcasing healthcare SMEs as a bankable segment, with 617 loans disbursed since inception to 487 SMEs through local banks. Furthermore, banks in the focus countries have started to develop specific healthcare products and their willingness to share risk has increased from 13% in 2011 to 38% in 2014. This creates additional leverage of the MCF capital. Moreover, all participating healthcare SME's are rated along the SafeCare standards. This has a very important social and developmental impact: the quality of care provided by these facilities can be benchmarked by financers (including health insurance), governments and patients.

Without the Challenge support, MCF would have either scaled down the project or sought funding elsewhere. Partly thanks to the trust shown by the G20 Challenge, it has been successful in attracting other donors and investors including DFID, the Bill & Melinda Gates Foundation, FMO, USAID and the PharmAccess/Health Insurance Fund. This indicates a strong capacity to crowd in investments.

According to the MCF, its lending program is becoming sustainable as banks become more knowledgeable about the health sector, develop their own health loan products and discover that building a portfolio of healthcare loans can be good business. The role of MCF in this respect is catalytic. The TA part of the model that addresses quality improvement of the health care providers is subsidized.

The TA component is not sustainable and the TA provided by MCF to build the capacity, monitor the quality and reduce the investment risk of lower-tier healthcare providers still requires subsidy. SMEs may be reluctant to pay the TA fee and hence a donor or a public institution may have to cover (part of) that cost component. According to MCF, a pilot program in which a government body will pay the TA fees is ongoing with the government of Uganda.

4.12 MFX

MFX Solutions LLC is a for-profit company established in 2008. The company was created with the objective of providing currency and interest rate management solutions to the microfinance sector. MFX provides hedging on commercially derived terms but for amounts, durations and rates that are geared to the needs of the microfinance industry.

MFX's hedging services allow hard currency lenders to provide local currency financing to borrowers, thereby reducing the currency risk to both.

MFX also provides training and technical assistance to MSME lenders to improve their understanding of hedging and to teach them how to apply the relevant tools. The G20 SME Challenge Grant was used to enhance and scale up the technical assistance MFX provides to lenders in Sub-Saharan Africa (SSA). The project developed the capacity of the MSME lenders through:

1. Group trainings on basic Asset Liability Management (ALM) concepts and liability planning; and
2. Customized on-site consultation with MFIs to address ALM concepts in more depth, and integrate usage of the Comprehensive Asset Liability Management (CALM) Tool into operations.

By the end of 2014, MFX had provided training to 246 participants in basic ALM concepts and liability planning, and in-depth advisory services to 32 financial institutions. MFX had also developed and implemented 14 new training modules. These services collectively facilitated USD 14.2 million in additional loans by participant lenders to MSME clients.

MFX will continue to offer its services in Sub-Saharan Africa but on a limited scale after the end of the grant period, due to dependence on grant funding. The operations in SSA have scaled back with the local staff now employed on an as-needed basis. Based on the lessons learnt from the grant-related activities, MFX has now developed the Risk Management Initiative in Microfinance (RIM), a member-based program to develop and disseminate appropriate risk management standards, industry collaboration, and information sharing. MFX considers the RIM initiative a more sustainable model evolving from the project funded by the Grant.

MFX has shown **high efficiency** in the application of the Challenge Grant. Even though the project started six months later than anticipated, the results were achieved by mid-2014. The project has generated **additionality**, in terms of additional services provided by MFX, and has expanded the firm's experience and knowledge of market needs. Not only is this indicated by the very positive opinions of MFX clients, but additionality is also evident in the evolution of a more sustainable model in the form of RIM.

The project achieved **high effectiveness**. The three MFX clients visited in this evaluation have incorporated the recommendations of MFX and revised their relevant decision making methodology on ALM. All of them credit MFX services with helping them improve efficiency and risk management in their operations, indirectly benefiting the MSMEs that these institutions serve.

From an overall financial sector perspective, **innovation** yielded by the project was **moderate**. Commercial banks have always applied the ALM practices that were disseminated through this project. The innovative value lies in the fact that these methods were scaled down to non-bank financial institutions that previously did not have knowledge of such methods nor access to the relevant tools.

The project has not been challenged by imitators since there are barriers to entry given the high levels of skills required to develop hedging and ALM products and services. MFX did report a significant challenge in keeping in touch with IFC staff, in which there has been significant turnover with several new officers dealing with MFX at different times.

4.13 Root Capital

Root Capital was founded in 1999 as an impact investor that provides finance and training to small and growing businesses (SGBs) in rural areas in Latin America and Sub-Saharan Africa, where it tries to fill the lending gap between micro finance and commercial banking. Up to the end of 2014, Root Capital worldwide had provided loans to over 400 SGBs, representing over 600,000 small producers. The objective of the Mexico project co-funded by the G20 SME Challenge is to strengthen 60 SGBs in selected value chains, implementing Root Capital's integrated training module called FASTrack. This experience will be shared with other financial institutions and likeminded development partners to promote replication. The end goal is to demonstrate the viability of the model and attract commercial competition to the market.

By the end of 2014, Root Capital had disbursed 49 loans to 19 existing clients and 13 new ones, and had trained 41 SGBs, of which 26 were new clients. This is slightly below the target. Most of these SGBs are producer organizations in the coffee sector, where Root Capital is facing a competitive landscape in which the more solid coffee SGBs are targeted by other funders. Less than 25% of the loan clients consist of first time clients of formal financial services.

Another reason for slow growth is that the majority of the producer organizations contacted appears to have been created for political purposes or for obtaining access to government subsidies. Having learned these lessons, Root Capital is diversifying its client portfolio into other agricultural sectors and has also decided to broaden its target clientele to include high social and environmental impact private businesses and early stage businesses. Root Capital is also building relationships with development organizations and local Mexican buyers to identify new loan and training clients. Root Capital's growth and competitiveness might be limited by the fact that it continues to depend on external funding, as it is not a registered financial institution in Mexico.

There is **additionality** as the Challenge grant has contributed to the development of training for the new loan clients. At the same time, Root Capital states that in the absence of the Challenge resources it would have found other funding. There are no indications that the G20 grant has crowded out private investment. Root Capital's training services are "competing" with the free provision of training and advice by fair trade and organic coffee importers, NGOs and social investors.

All the SGBs visited by the evaluation mission speak positively about the training received, although we found no correlation between changes in business revenue and the intensity of training or length of the relationship with Root Capital.

At this point, the FAS business model is not financially sustainable. This is due to the high cost per SGB combined with the limited capacity of the SGBs to pay. In Mexico, the latter problem is compounded by a history of subsidies, which has created an expectation amongst producer organizations that technical assistance and training should be free. Root Capital envisions **a partially subsidized business model** and is considering a number of revenue streams in order to fund the relatively high costs of the intervention.

We rate the project as **reasonably efficient in** spite of delays in achieving some of the outputs. Since only part of the target outcome indicators have been, we rate the project as **partly effective.** Due to the lack of data we cannot provide an opinion on the project's **relevance.**

Root Capital's Mexico project is **moderately innovative**. Whereas the project is partly based on earlier experiences, the development and scaling of the FASTrack training module is an ongoing learning process. The project has allowed Root Capital to refine the methodology of training board members and managers with limited formal schooling. At the time of evaluation, Root Capital had made a number of these specialized tools and modules available online.

The third component of the project, "Catalyse", has the ambitious goal of demonstrating that financing rural based SGBs can be a profitable business. Indications of the potential for replication include application of the model by El Buen Socio, a small Mexican lender to agriculture; the interest shown by local commercial banks; and the establishment of alliances with likeminded institutions and initiatives such as Ashoka and the Aspen Network of Development Entrepreneurs. Recognition of Root Capital's model by local financial institutions and agribusiness companies is growing, but a lesson learned is that it takes time for that recognition to lead to commercial engagement with SGBs.

5 THE PROGRAM PERSPECTIVE

5.1 Project contributions to the program's objectives

The following table provides an overview of the measurable outcomes of the projects in terms of two key indicators of effectiveness: the number of SME's reached with financial services, and the value of loans provided to them.

Table 6: SMEs reached and loans facilitated

Project	# SME reached with fin. services	Value of loans facilitated to the SME	Average loan or facility per SME
Aavishkaar	26	16,000,000	615,385
BPI	60	121,600,000	2,026,667
Barefoot Power	204	6,998,000	34,304
BIDx	155	19,880,775	128,263
Building Markets	615	15,587,893	25,346
Capital Tool Company	933[28]	2,000,000[29]	2,144
EFL	1536	10,960,869	7,136
EFTA	143	2,100,000	14,685
EFSE	1672	13,000,000	7,775
Grassroots Business Fund	7406	11,032,640	1,490
Medical Credit Fund	487	9,000,000[30]	18,480
MFX	32,932[31]	26,345,600	800[32]
Root Capital Mexico	49	15,928,930	325,080
	46,218	**270,434,707**	5,851

5.2 Cost effectiveness

Combining these data with the disbursement information presented in Chapter 3 allows us to analyze the cost-effectiveness of the Challenge Grant as an outreach strategy.

Again, as can be expected in view of the diversity of the projects, the differences are considerable. Part of the variation is attributable to the fact that the grantees have different profiles. Some of them are service providers that work with financial institutions (provision of training, technology) which in turn provide clients with access to funding. Others are financial service providers which transact directly with SMEs. The latter category is not uniform either, as it contains a mainstream bank as well as funds and other initiatives oriented towards improving access to finance, promoting entrepreneurship and/or solving social problems.

- BPI shows the highest level of cost-effectiveness in its use of the Challenge money. Having disbursed USD 121,600,000 in 60 energy efficiency loans with an average loan size of USD 2 million, the Challenge fund's contribution per dollar disbursed is less than 1 cent.
- Two service providers, EFSE and MFX, have reached MSMEs with a Challenge-funded cost contribution of less than 5 cents each.
- As for the fund providers, the high average values of equity investments facilitated by Aavishkaar (USD 615,385) and loans disbursed by Root Capital (USD 325,080) explain the high effectiveness of these initiatives in applying the Challenge contribution.

[28] Number of SMEs benefiting from expanded access to financial services
[29] Estimate by Enclude
[30] Estimate by Enclude
[31] Estimate by MFX in the absence of data provided by the participating banks
[32] Estimate by Enclude

- CTC and Equity for Africa show a cost to the Challenge fund of more than 50 cents per dollar of financing facilitated. This reflects their limited success so far in facilitating loans. In the case of EFTA, this high cost is partly due to the investment in infrastructure during the scale-up of EFTA's loan portfolio.
- Barefoot Power has been spending 28 cents of the Grant money to allocate one additional dollar of financing. If passed on to the loan client, this would probably double the interest rate.

Overall, the Challenge contribution per USD of loans facilitated stands at 7 cents. Eliminating the two outliers (BPI and CTC) increases this average cost to 12 cents. In view of the fact that most of the grantees also receive support from other funders and to varying degrees contribute their own resources, the average cost to allocate one dollar was probably even higher.

Table 7: Cost effectiveness of the Challenge contribution

Project	Challenge disbursements	# SME reached with fin. services	Value of loans facilitated to the SME	Challenge disb. per SME reached	cost in cents per $ facilitated
Aavishkaar	1500,000	26	16,000,000	57,692	9.4
BPI	744,343	60	121,600,000	12,406	0.6
Barefoot Power	2000,000	204	6,998,000	9,804	28.6
BIDx	2000,000	155	19,880,775	12,903	10.1
Building Markets	2000,000	615	15,587,893	3,252	12.8
Capital Tool Company	1262,609	933	2,000,000	1,353	63.1
EFL	2403,200	1536	10,960,869	1,565	21.9
Equity for Africa	1194,000	143	2,100,000	8,350	56.9
EFSE	625,000	1672	13,000,000	374	4.8
Grassroots Business Fund	2500,000	7406	11,032,640	338	22.7
Medical Credit Fund	1875,000	487	9,000,000	3,850	20.8
MFX	1000,000	32932	26,345,600	30	3.8
Root Capital Mexico	761,254	49	15,928,930	15,536	4.8
	19865,406	**46,218**	**270434,707**	**434**	**7.3**

We are aware that the diversity of activities undertaken by the grantees does not lend itself to a simple cost-per-dollar-lent comparison. The projects received the Challenge funding in different stages of their development and for several of them; a part of the costs cannot be allocated directly to the cost of lending. As the projects develop further and reach scale, the cost per dollar lent should go down and reach levels where no more public money is required and the financial services are offered at commercial conditions. Monitoring of increasing cost effectiveness could be an interesting follow up activity, particularly in view of the fact that most of the grantees indicate that they will continue to offer their services on a partly subsidized basis (see Chapter 4.).

5.3 Place in a crowded market

The international development effort to overcome the barriers SMEs face in access to finance in developing and emerging markets is vast. Nearly every large donor organization has launched SME support programs over the last few decades[33]. This support manifests itself through different mechanisms and is carried out by a variety of donors and institutions, including DFIs, bilateral donors, private foundations, operators in the fair trade and sustainable production markets, and others. The offer of grant money is extensive and there is a wide range of other support initiatives.

[33] Leo, Benjamin: New SME Financial Access Initiatives: Private Foundations' Path to Donor Partnerships. 2011.

With respect to the question of additionality, there is little evidence that the G20 SME Challenge reached new beneficiaries. In fact, the pool of winners skews significantly towards previously known organizations. Most of the 13 winners, of which 10 were OECD-based, already had access to grant funding by the time they won the Challenge, as well as a relationship with one or more donors. Six of the 13 selected projects were receiving support from FMO of The Netherlands. Public money seems to follow public money. The only winner that did not receive any grant funding from the international development community prior to 2011 is Aavishkaar.

5.4 Catalytic role of the Challenge

What has been the importance for the projects and their promoters' of having access to the Challenge funding? The table below characterizes the level and type of impact that the Challenge grant had on awardees' expansion efforts.

Table 8: The catalytic role of Challenge funding

Grantee	Large	Medium	Low
Aavishkaar	G20 support allowed Aavishkaar to increase its fund under management to USD 155 million		
BPI			BPI was already offering financial products for sustainable energy
Barefoot Power		Grant allowed BP to scale up its lending facility	
BIDx		Grant sped the development of the new approach	
Building Markets			A similar model had already been applied in other countries
CTC		Catalytic as the Challenge funding helped the TREFI project to stay alive	
EFL	Allowed EFL to pilot the technology with banks who were not yet willing to pay for the service		
Equity for Africa		Catalytic to get the necessary infrastructure in place to bring in the anchor investor to create the leasing Co.	
EFSE			EFSE probably could have accessed the funds of another donor
Grassroots Business Fund		Grant enabled GBF to expand its operations in Africa and to increase the role of local personnel	
MCF	Grant helped MCF to become visible and contributed to other funders stepping in		
MFX		Useful for the expansion into Sub-Saharan Africa.	
Root Capital		Contributed to the development of the FASTrack model, combining credit with training	

6 SCALING UP

6.1 Introduction

In this chapter we treat one of the key questions mentioned in the Terms of Reference: which are the most promising models for replication and scaling?

We analyze the potential for scaling up in a context without further public funding. Taking this into account, we distinguish two roads for the scaling of promising SME finance solutions.

Under the first scenario, **direct scaling** by the grantee, the prospects are good and scaling can be attributed to the Challenge, if by the end of the project the Grantee has:

- developed a suitable product or intervention model;
- set up or reinforced the organizational structure and management to permit scaling up; and
- located and explored a market interested and willing to pay for the product or model.

Where relevant, we also consider internal spin-offs and unintended effects.

The second way that scaling can happen is **indirectly,** by allies or by competitors. Inspired by the innovation, seeing a market segment not exploited by the grantee, or feeling threatened by the new product, other service providers or financial institutions may step in. They can do so with a similar intervention model or technology, simply copying the grantees approach, or with an adjusted model.

6.2 Direct scaling up

We analyzed the potential for scaling up in this fashion from two perspectives. First, we asked the grantees to quantify their view on the potential to scale up. The question we asked was "For the period 2015 – 2017: estimate the scaling up of the project in terms of the number of SMEs reached as compared to the number reached up to 31st December 2014[34]." The answer to this question provides a simple approximation of the potential in the opinion of the project owner.

We then qualify this estimate with a brief opinion based on our understanding of the merits and limitations of the model and taking into account our knowledge of the market.

Table 9: Potential for scaling up

Grantee	Scaling up potential 2015 - 2017	Observations
Aavishkaar	5 times	Reaching 130 (26*5) SMEs with investment comparable to the ones realized in the project period (USD 600,000) seems optimistic but is feasible if Sankalp and Intellecap take full advantage of the investor network built in recent years.
BPI	3 times	Feasible if BPI further develops the market for smaller energy efficiency and renewable energy investments.
Barefoot Power	No answer provided	BP reached 204 SMEs during the project period. A further build-up of the portfolio is possible.
BIDx	5 times	At the end of 2014, over 500 Business Plans from BID X community members had been approved for investors. Achieving a five-fold scaling up will depend on the "conversion rate" of this pipeline of approved plans into investments and on the continued availability of subsidy.
Building Markets	5 times	Not likely to be achieved in view of the inefficiency and low effectiveness of BM's operations under the Challenge-funded project.
CTC	5 to 10 times	With over a hundred clients in the pipeline, CTC can reach thousands of SMEs with the TREFI platform. Scaling up depends heavily on the availability of funding. There is huge potential in the securitization of receivables, although CTC cannot achieve this without new investors.
EFL	50 times	Scaling up from 1,536 to over 75,000 SMEs seems very ambitious but once accepted by several banks, the psychometric tool can be applied to large number of clients.

[34] Based on interviews with the grantees or on the questionnaires filled out by them.

Grantee	Scaling up potential 2015 - 2017	Observations
EFTA	3 times	Reaching 429 (143*3) clients in Tanzania with leasing finance seems feasible. The model is also scalable to other countries. This growth will also depend on EFTA (and its replicas in other countries) finding trustworthy equipment providers.
EFSE	2 times	Scaling up from 1,672 SMEs reached to approximately 3,300 should be possible.
GBF	2 times	Scaling up possible with continued subsidy and conditional upon finding successful High Impact Businesses with large numbers of suppliers or clients.
MCF	3 times	Scaling up is required to capitalize on the large investment made so far and to bring down the cost per case. MCF has ample funding for further growth.
MFX	No answer provided	The growth depends on the capacity of MFX to sell its services directly to FIs willing to pay a commercial price. Given the interest of the DFI community in improved risk management of SME-oriented FIs, growth in a subsidized context is not unlikely.
Root Capital	5 times	Based on the slow growth of its clientele (49 clients reached by the end 2014) we think that doubling outreach in three years is possible. Root Capital accepts that the FASTrack model will continue to need partial subsidy.

In the years ahead, most grantees see a scaling potential equivalent to three to five times the number of SMEs reached during the project period. If that potential materializes, the post project outcome would increase substantially, improving the overall effectiveness of the Challenge. In view of this and as the Challenge is coming to an end, the SME Finance Forum might be interested in monitoring this post-program period.

Monitoring can have interesting spin offs and could lead to selected follow up measures. Part of the exercise would be an analysis of the grantee's willingness and capacity to expand their services and the viability of their business model. As for the business model, product pricing, target client segment and commercial orientation require special attention, in view of our finding that most of the providers plan to continue offering their services on a partly subsidized basis. This is further illustrated in chapter 6.3.

6.3 Sustainability

The project evaluations reveal that in the period 2012-2014, all the initiatives depended to a certain extent on subsidy. This is appropriate and justifies their participation in a grant scheme. Public money was put at their disposal to finance investments, operational costs and development work, as well as for market testing and piloting of innovative new services.

In order to analyze the prospects for sustainability after the G20 SME Challenge, we asked each of the grantees a simple question: "After the end of the G20 funded project, our institution will……." and offered a choice of answers about the conditions under which the grantee plans to continue offering the services. The following table summarizes the answers.

Table 10: Sustainability perspective

	Future conditions under which to offer the services		
Grantee	**offer the services on fully subsidized basis**	**offer the services on partly subsidized basis**	**offer the services on commercial terms**
Aavishkaar			
BPI			
Barefoot Power			
BIDx			
Building Markets			
CTC			
EFL			
EFTA			
EFSE			
GBF			
MCF			
MFX			
Root Capital			

Only five of the thirteen grantees (Aavishkaar, BPI, CTC, EFTA and EFL) indicate that they will offer their services on a purely commercial basis. All of the social lending initiatives (BP, BM, GBF, Root Capital) indicate that they will continue offering their services under partially subsidized conditions.

6.4 Replication and influence

The project evaluations reveal a mixed picture when it comes to the replicability of the services and tools developed under the Challenge. As can be expected, the interest shown by other actors is directly proportional to the perceived success of the grantees. We also note the impact of the quality of the reporting to funders and the professionalism of the public relations carried out by the parent company in presenting the achievements. Grassroots Business Fund and Root Capital are examples of very well documented operations, with the capacity to inspire other parties to embark upon similar projects or to co-fund them.

The following examples provide insight into some of the achievements and specific actions:

- **EFL**: Some other companies from the HR psychometrics space have entered the field (VisualDNA and Adam Milo). This has been enabled by EFL's pioneering the approach of psychometric credit scoring for lending and generating understanding and acceptance among financial institutions[35].
- **BPI**: In The Philippines, BPI has been a front runner in sustainable energy finance, with IFC support dating back to before the G20 award. Three more lenders have joined the bank in expanding into energy efficiency lending in the Philippines: Banco de Oro Unibank Inc. (BDO), China Banking Corp, and BPI-Globe BanKo[36].
- **CTC:** CTC has promoted its TREFI technology with institutions in several countries, including Colombia, Paraguay and Uruguay.
- **Equity for Africa**: In parallel with its efforts to establish Equity for Africa Tanzania, EFA has also worked on the promotion of leasing for the agricultural sector at the policy level. EFA informed us that since 2014, leasing is a major pillar of the agricultural finance policy of the Bank of Tanzania[37].
- **GBP:** GBP promotes its model and the knowledge acquired through working groups and networking. It has been contacted by institutions and projects interested in the model.
- **MCF**: MCF is working in several countries with central banks and government entities on regulation and establishment of specialized loan schemes for health SMEs. MCF is contacted on a regular basis by interested investors, potential partners, donor agencies and banks. Its management participates in conferences. A list of articles and references in journals illustrate the ground-breaking role it has played and the demonstration effect of the project.

Table 6: Potential for replication and influence beyond the project

Grantee	Opinion
Aavishkaar	Replicable assuming the new initiatives are able to assemble a powerful coalition of promoters and investors
BPI	BPI's EE lending is already an example for other banks in The Philippines and in Asia
BAREFOOT POWER	Providers of other technology products for BOP clients can learn from Barefoot's distribution network and after-sales service.
BIDx	Replication not foreseen. As the Grant is coming to an end, the model has not yet proven to be financially sustainable
Building Markets	Not attractive for replication.
CTC	Financial Institutions can directly utilize the TREFI platform. Requires agreement with CTC.
EFL	Replication is a reality as new competitors are already venturing into this market.
Equity For Africa	EFTA has learned many lessons about leasing (type of clients, minimum amounts, and trustworthy providers). Access to that know-how can give a competitor a start in this market.
EFSE	Other regional and national initiatives can continue promoting local currency lending.

[35] Interview with EFL.
[36] Triodos Facet: Midterm review of SEF II in The Philippines. 2012. Page iii.
[37] Confirmed by Richard Boulter, DFID.

Grantee	Opinion
Grassroots Business Fund	Continues to be an expensive model.
MCF	Replication is not very likely and depends upon the MCF intervention model proving to be financially sustainable
MFX	There is potential for replication or adaptation by other service providers. Financial institutions can apply the CALM technology.
Root Capital	Model is already being copied by one small agricultural lender in Mexico

7 THE ROLE OF IFC

In this chapter we analyze the role of the IFC in the G20 SME Finance Challenge from two angles: the perspective of the grantees, and the perspective of the Challenge and its funders.

7.1 The view of the grantees

We asked grantees how project supervision by IFC influenced the execution of their projects. Table 12 summarizes their responses.

Table 7: Effect of the project supervision by IFC

	Influence and added value of project supervision by IFC			
Grantee	**Marginally or not at all**	**We are more disciplined in reporting**	**Contributed to setting time horizons and planning**	**Provided access to IFC's network and know- how**
Aavishkaar				
BPI				
Barefoot Power				
BIDx				
Building Markets				
CTC				
EFL				
EFTA				
EFSE				
GBF				
MCF				
MFX				
Root Capital				

The table above shows that grantees appreciate the contribution of IFC in very different ways and it confirms what we have seen throughout our visits and interviews with the grantees: there are major differences in the appreciation of the role of IFC and the contribution of its staff.

- In general the more technology intensive projects (BIDx, EFL, and MFX) value IFC's contribution in providing access to know-how and contacts. This says something about the importance of the contribution of IFC but also reflects the orientation of the management of these projects towards knowledge. It is no coincidence that these three projects score high on innovation. Two other institutions which valued IFC's networks and know-how had a relationship with IFC dating back to before the Challenge: BPI as an IFC project partner and GBF through its founder.
- EFTA states that IFC was very supportive in the initial stages in sharing information on its own leasing experience, including buy-back arrangements, and working with local tax authorities to clarify leasing tax implications.
- Seven projects recognize that working with IFC under the Challenge has made them more disciplined in reporting and/or contributes to setting time horizons and planning. In saying so, they recognize that access to an external source of funding improves project management and might lead to higher efficiency. By being demanding in terms of planning and reporting, IFC has not only acted in line with its Trust mandate but has probably contributed to the grantees' quality of project management.
- Several grantees including Aavishkaar and EFL recognize that access to the G20 grant funding contributed in a "fundamental way" to the timeliness of achieving the outcomes.
- One grantee states that the influence of project supervision by IFC on the execution of the project has been marginal.

Evaluation of the 13 projects also revealed a number of contributions, challenges and critiques regarding the role of IFC:

- Grantees GBP and MFX reported difficulties in keeping in touch with IFC staff.
- Several grantees mentioned the disadvantages of frequent changes in the contact person at IFC.
- EFTA, Building Markets, CTC and MFX mention delays in the receipt of funds after signing the Grant Agreement
- In a couple of cases, there has been confusion about the indicators and what they should reflect. MFX informed IFC that it did not agree with the outcome indicators assigned to it. CTC was told that the number of invoices which passed through TREFI's data platform (even from non-CTC clients) could be reported as the value for "Number of SME loans disbursed".
- The exact meaning of output and outcome indicators was sometimes not clear and there was not always clarity about the means of verification (MoV) of the indicator values and which values to tally.
- The lack of well-defined MoVs became a problem for BIDx, which had to provide IFC with different documentation for different disbursement requests to prove the achievement of the same result. This caused an additional reporting burden, delays in disbursement and confusion at the level of the supported SMEs which had to provide the evidence.
- A couple of grantees mention that in view of the fact that the Challenge was set up for innovation, IFC could have been more flexible in adhering to the project targets.
- Overall the grantees expressed the view that the support and guidance they received from IFC for scaling up their solutions was limited.

7.2 The relationship with the G20 and the funders

As the designated administrator, IFC bore the task of supervising the content of projects as well as administering the funding and monitoring the execution of the grantee projects. In essence, it was the representative of the G20 and of the SME Finance Forum and had to monitor the 13 projects on their behalf.

The Annual report of the SME Finance Forum contains a part dedicated to the G20 SME Challenge. It provides qualitative and quantitative information about the progress of the projects and their performance in terms of increasing access to finance. It is our understanding that the PSR reports and the project completion reports prepared by IFC are not shared with the donors.

8 LEARNING

In this chapter, we treat the broader learning questions formulated in the Terms of Reference and complement that with lessons learned through our own observations and analysis. This chapter also comments on peer learning and exchange between the grantees.

The questions in the Terms of Reference were as follows:

- How does access to finance translate into job creation in the SME sector? Is this through displacement of capital or higher output or both? What is the evidence that SME beneficiaries supported job growth under the program?
- To what extent can technology help leapfrog financial infrastructure constraints?
- Does SME development have a positive effect on inclusiveness, e.g. women's access to finance?
- What type of intervention (i.e. risk sharing, technical assistance, or a combination of both) works best in fragile and conflict environments?

8.1 Job creation

Reporting by grantees and the project supervision reports presented by IFC contain little information about job creation under the G20 Challenge funded projects. The near absence of data is a result of the fact that only a limited number of the Grant Agreements included targets for employment growth. This finding comes somewhat as a surprise given the importance of the employment aspect, as stated in the literature on the promotion of SMEs and in several documents related to the Challenge.

> SMEs provide about two-thirds of the formal jobs in developing countries. Although it is difficult to attribute job creation directly to increased or first-time access to financial services, evidence shows that it is important to support smaller companies, which tend to have higher rates of job growth[38] than their larger counterparts. At the same time, medium- sized companies also face financing constraints and can play a significant role in job creation, for example through their supply networks.

We found only two projects where job creation appears to be an important element of the intervention model and where the generation of employment seems to have influenced project orientation and management decisions. The Grant Agreements referring to job creation are Equity for Africa (impact indicator: number of jobs created in client enterprises) and PDT Building Markets (impact indicator: number of jobs of 6 months or longer created or sustained).

Neither of these projects achieved their job creation targets, basically because the number of leases and loans originated was lower than planned.

- EFTA: as of December 2014 job creation stood at 469 (target of 1088), for 143 leases[39].
- BM: as of December 2014 job creation stood at 256 (target of 3,557), for 615 SME's reached.

Based on this limited data, it is not possible to draw conclusions about how access to Challenge financing translates into job creation.

The 13 Challenge projects might have been good test cases to find anecdotal evidence about the relationship between access to credit and the creation or elimination of jobs. The diversity of initiatives and their different stages of development would have made for interesting comparisons. In addition, the projects where the grantee offers combined services (credit and TA or training) could have been benchmarked against projects where no additional services are being offered.

[38] IFC: Assessing private sector contributions to job creation: Note 1: Small firms show the highest job growth rates. 2012.

[39] EFTA comments that job creation tends to lag the initial investment and that the full employment effect of the lease of the productive assets might become visible two to three years after the initial investment. The grantee continues to monitor the employment effect.

8.2 Technology to leapfrog financial infrastructure constraints

Financial sector infrastructure should enable the business of finance in a transparent and information-rich environment. Financial infrastructure includes a variety of services, ranging from credit information bureaus, collateral registry systems and deposit insurance schemes to payment clearing systems, securitization mechanisms, financial rating agencies and guarantee schemes.

A limited number of the Challenge projects directly or indirectly address financial infrastructure constraints, in particular the absence of trustworthy and up-to-date information about SMEs seeking financing. In so doing, they try to tackle the problem of asymmetry of information.

EFL's technology addresses the lack of formal information about the credit standing of first-time SME clients. For this type of client, credit bureaus often provide limited or no data, and in that sense EFL helps banks to overcome the limitations of a traditional cornerstone of financial infrastructure. The scoring also can permit increased lending to SME clients who have no records in the collateral registry.

As explained in the EFL evaluation report, the Challenge funding has enabled EFL to carry out in-depth testing of its tool with a number of banks. Based on this, the prospects for commercial application look positive and the technology may even have the potential to contribute to a paradigm-shift in SME lending. It could become even more powerful if combined with attitudinal and performance data of SMEs and their owners, including history of payment of periodic obligations such as utility bills.

CTC's TREFI platform applies the principle of capturing and analyzing all available information about a client's payment behavior and capacity. This includes credit bureau data, information from tax authorities and also the knowledge about credit behavior and payment capacity that enterprises doing business together have about each other. This latter point is in part where the innovation lies. Based on intra-firm information, TREFI offers tools to companies and financial institutions to improve risk management. Rather than being a substitute for the traditional information about credit clients, the TREFI platform complements it.

As explained in the evaluation report, the Challenge funding has enabled CTC, as a small company, to work on a big development. After several years of experimenting and promoting the tool in Peru, the technology has proven its value but has yet to achieve commercial success. Fully exploiting this innovative technology will require third party investors to step in.

8.3 Inclusiveness of SME development

Based on the Challenge information we had access to, inclusiveness does not seem to stand out as a primary outcome of funded projects. None of the selection criteria applied by the judges makes reference to inclusion of women, youth or indigenous people. We also did not find references to specific sectors of the economy. The "missing middle" is treated as an overall category, basically defined by the size of the enterprises and their lack of access to financial services.

A limited number of Grant Agreements do include gender-related performance indicators. Here are a couple of examples:

- Barefoot Power mentions the "number of families reached" as an impact indicator. In view of the important role of women in the household, this could be considered gender-related.
- One of BIDx's outcome indicators was "number of business plans from BID X community members approved for investors, gender specific" and one of its output indicators was "number of BID web members - gender specific".
- PDT had "number of women-owned SMEs reached through contracts facilitated" as an outcome indicator.

Medical Credit Fund stands out for paying special attention to social performance and keeps track of indicators that are relevant for achieving the Millennium Development Goals (MDGs). Fifty percent of the patients visiting the project-supported health care providers belong to the low income and very low income brackets[40].

In line with the near absence of inclusion-related indicators, project monitoring and reporting by IFC dedicates very limited attention to this aspect.

8.4 Intervention in fragile and conflict environments

The question at hand is what type of intervention (i.e. risk sharing, technical assistance, or a combination of both) works best in fragile and (post) conflict environments?

Based on the Challenge project portfolio, it is impossible to come to a well-supported conclusion on this issue. Only one project, PDT Building Markets, focused explicitly on fragile and conflict environments. An important lesson learned is that the nature of these markets has been a limiting factor for facilitating collaborative efforts with the banks. Banks in post-conflict countries often face liquidity issues, which in turn affect their risk thresholds and willingness to participate in a business model like BM's, where FIs are expected to provide guarantee-backed lines of credit for SMEs. In Afghanistan, Haiti and Timor Leste, where PDT has operations, the projects have been heavily backed by donors.

Two other projects make reference to operating in fragile and conflict environments:

- **BIDx:** A condition specified by IFC was for BIDx to service certain priority countries, including Palestine, Liberia, Uganda and Rwanda. A limited number of the 155 businesses financed were in these post conflict countries.41
- **EFSE:** The conflict between Ukraine and Russia, among other conflicts in the region, made implementation more difficult.

8.5 Lessons learned

In the course of our evaluation, we uncovered a number of lessons learned in both phases of the Challenge: preparation and project execution.

8.5.1 Preparation of the Challenge

1. **The near absence of banks**. In the months prior to the selection of the winners, Ashoka contacted 2,976 Institutions to promote the Challenge and solicit entries. This included hundreds of banks and local financial institutions[42]. Ashoka received 348 entries to the Challenge, of which only a limited number were financial institutions, mainly microfinance institutions. Only one bank, BPI, was selected as a winner. In the scope of this evaluation we have not been able to analyze the reasons for the very limited interest among mainstream banks. Apart from the prevailing idea that banks are reluctant to enter into SME finance, a number of possible reasons come to mind. Commercial banks are not used to competing for grant money. They also might have judged that the relationship between effort and uncertain results was not attractive enough to warrant the investment. The only selected bank, BPI, had ample experience with the world of DFIs and grants and knew IFC very well.

2. **Foreign operators acting as financial institutions.** Out of the 13 winners, six are financial service providers who, with the exception of BPI, are funds or special development vehicles promoting SME finance. Earlier in this report we have called them "social lenders". The majority of these operators are not registered as a financial institution in the country where they carry out their funding business. Although this might sound typical for a development environment, is this what the Challenge wanted to promote?

3. **Public money follows public money.** The selection of winners is markedly skewed towards organizations that are already well known to the donor community. Most of the 13 winners, including

[40] MCF: Quarterly Performance Indicator Report, Q2 2013. Page 13.
[41] Enclude is checking the exact number with the grantee.
[42] Ashoka: Number and names of institutions that were approached with the request or suggestion to present a proposal.

BIDx, BPI, CTC, EFA, EFL, EFSE, GBF, PDT and Root Capital, had a history of access to grant funding by the time they won the Challenge. Six grantees were partnering already with FMO.

4. **The sustainability criterion was not applied rigorously**. One of the Challenge's key selection criteria was sustainability: "Proposals must credibly demonstrate their potential to be scaled up and sustained over the long-term as public support is phased out". As we noted in the chapter on sustainability, only five of the 13 winners plan to offer their services on commercial terms, reflecting the continued dependence on grants for the other eight grantees. How and to what extent did the latter demonstrate in their proposals that they would become sustainable?

5. **Different appetites and challenges, similar recipes**. A project portfolio as diverse as the G20 SME Finance Challenge requires diversified approaches, terms and amounts. Notably, all 13 projects were awarded funding between USD 1 and USD 2.5 million for two to three years. Projects which, at the time of the award, were still in an R&D stage might have needed a different time frame and budget to achieve their final objectives, as compared to projects that were in a more advanced stage.

6. **Diversity within a single format**. In spite of the disadvantage mentioned under point 5 above, the IFC has managed to work with 13 very different cases under a fairly standardized Grant Agreement. Although grantees might have sometimes felt the agreement was constraining their freedom to experiment, we think the uniformity has created good basic conditions for administering the Challenge portfolio and measuring the projects according to the same yardstick.

8.5.2 Execution of the Challenge

1. **Influencing output is easier than influencing outcome.** In most projects, the Challenge funding has contributed to delivery of the planned outputs (efficiency), albeit occasionally with some delay. It has had a more limited influence on the achievement of the planned outcomes (effectiveness).

2. **Contribution to the SME Finance community**. In the search for solutions to provide access to finance for the missing middle, the Challenge has been catalytic in bringing most projects to their next stage of development. It has contributed to a number of innovations in SME finance, most notably those promoted by CTC, EFL, MCF and MFX.

3. **Innovations on the (long) road to sustainability**. The most innovative projects mentioned under lesson two above have not yet demonstrated "their potential to be scaled up and sustained over the long-term as public support is phased out", which was one of the original Challenge selection criteria.

4. **Administration left little time for content.** IFC focused on administering and disbursing the funds and monitoring the compliance of the grantees with their respective Grant Agreements. The Project Supervision Reports show little depth and limited analysis and were often presented late or not at all. Project visits by IFC staff were far apart and the depth of the relationship between the grantees and the designated IFC staff suffered from frequent turnover of IFC personnel. IFC could have provided more of its valuable in-house expertise.

5. **Promoting exchange between the grantees.** The SME Finance Forum has made an important effort to promote contact and exchange between the grantees, including an annual gathering of the Challenge winners. Enclude presented the preliminary findings of this evaluation at the 2015 Annual gathering (London, June) and noted the participation of the grantees. The event proved to be an opportunity for formal and informal exchanges between grantees, DFIs and other stakeholders in SME finance. The presence of the grantees stands as proof of their continued interest in being part of the initiative.

6. **Progress is visible, but reaching out to SMEs under the innovative schemes is costly**. Co-funded by the Challenge, the grantees have facilitated access to finance for thousands of SMEs. Overall the Challenge contribution per USD of SME finance facilitated stands at 7 cents. Eliminating the two outliers (BPI and CTC) increases this average cost to 12 cents. In view of the fact that most of the grantees also receive support from other funders and contribute their own resources to varying degrees, the average cost to allocate one dollar might have been close to 20 cents. How can Challenge initiatives contribute more in making innovative solutions in SME access to finance sustainable and less dependent on public support?

7. **The triple bottom line is present.** Although not explicitly mentioned in the original list of Challenge objectives, several projects show a triple bottom-line approach and try to promote social and environmental values parallel to the promotion of finance. Examples include EFA, GBF and Root Capital. GBF applies an Environmental & Social Review to its investee companies.

8.6 Peer learning among grantees

When asked about peer learning and exchange with other winners, few grantees refer to specific examples. The general picture that emerges is that grantees have limited contact with each other. This is notwithstanding a number of organized contact opportunities, including the G20 SME Finance Challenge Award ceremony and several annual gatherings organized by the SME Finance Forum.

The lack of active exchange is partly due to the absence of an ongoing mechanism for communication, partly a result of the fact that the 13 cases have been working on very different issues. It probably also reflects the fact that the grantees have been extremely busy, each focusing on their respective projects. Some of the projects with a higher technology component might also have been reluctant to share their intellectual capital.

It should also be noted that the Grant Agreements between the IFC and the grantees does not contain any clause regarding the sharing of findings, challenges encountered and lessons learned with other grantees.

Grantees who were more active in maintaining contact with colleagues include BIDx (visit to BPI, regular contact with MCF) and MCF, which is in contact with several other grantees.

9 ANNEXES

Annex 1: Terms of Reference
Annex 2: People and institutions contacted
Annex 3: Questionnaire for Grantees

ANNEX 1: TERMS OF REFERENCE

Terms of Reference for the Evaluation of the G20 SME Finance Challenge Program October, 2014

I Background

In September 2009, G-20 Leaders in Pittsburgh made a joint commitment "to improving access to financial services for the poor. To advance this goal, the G-20 launched a Financial Inclusion Experts Group (FIEG) with two sub-groups, one focusing on households ("Access through Innovation") and the other focusing on Small and Medium Enterprise financing ("SME Finance"). IFC was nominated as expert advisor to the SME Finance Sub-Group leading an effort to: conduct a stocktaking exercise on global SME finance mechanisms to come up with a set of policy recommendations on scaling up SME finance; support the launch of the G-20 SME Finance Challenge (the "Challenge"); establish a Global SME Finance Innovation Program (the "Program") to help implement a funding platform for eligible winners of the Challenge as part of a broader Global SME Financing Framework to scale up SME finance; and to establish a forum to address the need for a knowledge management center for SME finance.

The Challenge was launched in June 2010, the objective of which was to find the most promising models for public-private partnerships to catalyze SME financing on a sustainable basis. Over 350 entries were submitted, and 14 winners were selected. The G-20 leaders committed to mobilize funding for the implementation of winning proposals of the Challenge using the performance-based framework. An SME Financing Framework has been created to provide a flexible structure to mobilize funding through existing and new instruments from donors, International Financial Institutions ("IFIs"), Development Financial Institutions ("DFIs") and the private sector for the winning proposals (Phase 1) and other successful financing models (Phase 2).

In March 2011, the Global SME Finance Innovation Trust Fund (the "Trust Fund") was established at IFC with donor contributions from Canada, DFID, Korea, the Netherlands and USAID, to fund the winning proposals of the Challenge. This Trust Fund makes donor funding available under the Program through performance based approaches. Through the Challenge program, which is being managed by the SME Finance Forum, 13 winners have received funding which enabled them to implement their winning proposals while the 14th winner did not request the grant.

Under the performance based framework, the grant funding allocated for each of the 13 winners was structured into tranches. Disbursement of each tranche is subject to achievement of corresponding performance targets. To date, several challenge winners have fully achieved their performance targets and have therefore received all the grant funding allocated to them. The remaining ones are expected to fully satisfy the performance targets by mid of 2016.

As part of the agreements with the donors, an assessment of the program is to be undertaken with the goal of understanding the following:

- How successful each of the 13 challenge winners has been in achieving their stated objectives and goals?
- How effective and appropriate the performance based grant has been in supporting the winning proposals to achieve their stated goals and objectives?
- Which are the most promising models that could potentially be replicated and scaled up?

II Description of the Assignment

IFC on behalf of the donors of the Challenge Program is seeking a consulting firm "the Firm" to carry out the following work:

1. Propose the evaluation design for the program review
2. Execute the program review

1. Proposal of the Evaluation Designs

Scope and description of the assignment: This component includes the proposal of possible evaluation methodologies to apply to the program Reviews. A comparative analysis of the evaluation designs should be presented to IFC including consideration of cost, time efficiency and fitness for purpose. IFC, in consultation with the donors, will make a selection based on the analysis. The assignment consists of the assessment of both the progress and learning components.

The main objective of the program Review is to assess the performance and efficiency of the Initiative, its strengths and weaknesses. Particular emphasis is placed on measuring the results of the Initiative's work ranging from outputs to outcomes to impacts, when possible, at various levels from inception in early 2012 to the current period. (Please see the tables of performance indicators attached in the Annex A for the full list of relevant indicators at the output, outcome and impact levels.)

While it may be challenging to determine the development impacts on beneficiaries that may be attributed solely to the Initiative's projects, the Consulting Firm will attempt to select methodologies that establish a clear link between inputs from the grantees supported under the Initiative and the results claimed.

However, the priority should be on practical, timely, and cost-effective execution of the methodology without delayed implementation of any of the Initiative's projects and components.

In addition to assessing performance of the projects under the Initiative with respect to output, outcome, and possibly impact indicators (as needed) (see Annex A), IFC seeks to use the Review of the Initiative to gather quantitative and qualitative evidence and to the extent possible, to offer answers to some of the broader learning questions outlined below:

- How does access to finance translate into job creation in the SME sector? Is this through displacement of capital or higher output or both? What is the evidence that SME beneficiaries supported jobs under the program?
- To what extent can technology help leapfrog financial infrastructure constraints?
- Does SME development have a positive effect on inclusiveness, e.g. gender?
- What type of intervention (i.e. risk sharing, technical assistance, or a combination of both) works best in fragile and conflict environment?

The objective of the learning component of the Review is to inform the IFC and donors of the Challenge Program of any lessons learned so that these may be incorporated into future programs and interventions in this space.

In case the Consulting Firm has a reason to believe that some of the indicative inquiries raised above are not possible to address or cannot be answered in a rigorous way, the Firm should propose an alternative assessment methodology or an alternate way to frame these questions.

2. Challenge Program Review

a. *Component Description*: The selected Consulting Firm, upon receiving approval of the methodology from the IFC SME Finance Forum, will be expected to carry out the Challenge Program review. The Firm will present the final report to IFC and donors of the program for approval, maintaining utmost objectivity and independence.

b. *Scope of Assignment*: The program review will be done at both the program and project level with results aggregated to draw program level data and conclusions. It is intended that the review will make a comprehensive assessment of the progress achieved against the targets/milestones for the outputs and outcome indicators. It is possible that some of the projects supported under the Initiative are in different phases of implementation. In such cases, the Firm will suggest an approach for the estimation of results that the projects are expected to reasonably deliver during the review period.

Not all projects and not all countries will be evaluated. The Consulting Firm is invited to propose a methodology for choosing a representative sample of projects for which the quantifiable impacts will be assessed. This may require travel to visit a sample of firms. For project level analysis, the Consulting Firm will review a representative sample of projects to determine whether there is an indication that the Initiative will be achieving its objectives by its completion.

Building on the results of the individual project evaluations and to further enhance the program assessment, the Consulting Firm will produce, to the extent possible, a comparative analysis across all the evaluated projects to draw program-level conclusions.

If feasible, projects from some countries will be selected to perform cross-country analysis. In this case the Firm will define and present a methodology for choosing a sample of countries/projects which will maximize learning from the review.

3. Evaluation resources

Task Management: For all the projects, M&E will be coordinated by the SME Finance Forum's assigned team members and the relevant project leaders. The Consulting Firm will be reporting to this team on day-to-day activities, while all key deliverables will be approved by the SME Finance Forum.

All project level reviews should be shared with project clients.

Resources: The Initiative will make its best effort to ensure that all current and past IFC/ relevant organization staff will be available for consultation or interviews during the evaluation as necessary. IFC will also provide appropriate stakeholder contact details and will make any necessary introductions for the Consulting Firm.

The Consulting Firm will also have access to all office resources, including office and project files. Additionally, the firm will be able to utilize information that was gathered through previous independent and internal evaluations/reviews of IFC projects and through internal analysis of the Enterprise Surveys and/or Doing Business datasets as needed.

The Consulting Firm will be able to make use of World Bank Group office facilities, in the Washington main office as well as regional headquarters for the duration of the evaluation.

4. Timetable for the deliverables, with deliverables at each stage exactly specified

Deliverables

- Propose methodologies and comparative analysis based on the study of evaluation designs **(December, 2014)**
- Work Plan **(December, 2014)**
- Project level reviews**.** Each report should include in-depth narrative analysis of received data substantiated by relevant graphs, charts, and frequency and cross-tabulation tables where necessary **(by March, 2015)**
- Final program level report with a comparative assessment of results, trends, and lessons learned **(by April, 2015)**
- A Power Point Presentation with brief summary of review findings **(by May, 2015)**

Ethical Issues. The Consulting Firm is welcome to partially rely on project documentation in assessing outcomes and impacts. However, it is critical for the Consulting Firm to independently verify the Initiative's results as this strengthens the credibility of the evaluation findings. Both document review and independent verification of the results should be done while strictly observing client confidentiality and only with the agreement of the client.

Consulting Firm Project Team. The Consulting Firm should provide a detailed description of the staff/team that the Firm will employ to carry out each part of this contract to ensure continuity and consistency including:

- Description of the team composition including details of senior/junior staff involvement, and level of commitment of field specialists
- Identification of sub consultants hired for the project, their roles and level of involvement (if applicable);
- Qualifications and past experience of team leaders and key team members relative to the project.

Annex. Performance targets of G20 SME Finance Challenge Program

			Performance indicators				
Challenge winners	**Countries**	**Performance indicators**	**Output**	**Outcome**	**Impact**	**Indicator baseline - January 2012**	**Performance targets**
PDT America LTD - Building Markets	Africa	Value of Credit facilitated by PDT as credit counselor to SMEs (US$)		x		0	7M
		Value of operating LoCs guaranteed jointly by PDT and partner local banks/Fis (US$)		x		0	1.5M
		Number of SMEs reached through credit counseling/facilitation		x		0	31
		Number of SMEs provided with credit guarantee		x		0	7
Capital Tool Company - TREFI	Peru	Financial Institutions and Corporate Partners Incorporated to Platform				0	6
		Number of loans disbursed				0	100,000
		Value of loans disbursed (US$)				0	15M
		% of loans > 90 days overdue				0	2.50%
		Number of SMEs benefiting from expanded access to financial services				0	15,000
EFL Global LTD	Latin America and the Caribbean (LAC), Middle East and North Africa (MENA) and South Africa/East Asia & Pacific Region/East Asia & Pacific Country (SA/EAP/ECA).	Number of banks using the EFL tool in LAC (4), MENA (1) and either SA, EAP or ECA (1)	x			0	5
		Time (hours) for EFL score turn-around	x			24 hours	less than 3 hours
		Number of EFL tests performed by Fis in LAC, MENA, SA/EAP/ECA		x		0	6000
		Number of financed SMEs through Fis in LAC, MENA and SA/EAP/ECA		x		0	500
		Volume (US$) lent using the EFL tool in LAC, MENA and SA/EAP/ECA		x		0	4M
MFX Solutions INC.	Burundi, Congo, Kenya Tanzania, Uganda	Number of trained MSME lender participants	x			0	180
		Number of MSME lenders to receive in-depth onsite technical assistance	x			0	38
		Number of trained MSME lender staff reporting being satisfied or very satisfied with MFX TA	x			0	126
		Number of new training modules and tools developed and implemented	x			0	4
		Value (US$) of financing facilitated at participant MSME lenders			x	0	9.5 M
MCF - Medical Credit Fund	Kenya, Tanzania and Nigeria	Number of countries in SSA where MCF TA project is operational	x			3	5
		Number of trained medical professionals	x			180	480
		Number of clinics that have achieved one or more SafeCare level	x			0	110

			Performance indicators				
Challenge winners	Countries	Performance indicators	Output	Outcome	Impact	Indicator baseline - January 2012	Performance targets
		improvement (measured 12-18 months after baseline assessment)					
		Number of follow-up loans approved by local banks		x		12	120
		Value (US$) of loans disbursed to MCF partner clinics			x	0.5M	3.5M
Intellecap - Intellectual Capital Advisory Services Private Limited	India	Number of SMEs receiving capacity-building support	x			0	80
		Number of investor inquiries in targeted sectors leading to an investment		x		6	14
		Number of entities receiving advisory services (enterprise presented)	x			0	23
		Number of entities accessing investment/financing			x	6	18
		Value of financing facilitated (US$)			x	3.5M	8.5M
Root Capital - Africa	Africa	Value of loan capital disbursed to the participating SGBs (cumulative) - (US$)	x			0	8,675,618
		Number of loans disbursed to the participating SGBs (cumulative)	x			0	69
		Value of loans outstanding (US$)		x		0	2,613,697
		Number of loans outstanding		x		0	11
		% of loans> 90 days overdue		x		0	5%
Root Capital - Mexico	Mexico	Value of loan capital disbursed to the participating SGBs (cumulative) - (US$)	x			0	6.6M
		Number of loans disbursed to the participating SGBs (cumulative)	x			0	60
		Value of loans outstanding (US$)		x		0	3M
		Number of loans outstanding		x		0	15
		% of loans> 90 days overdue		x		0	5%
Grassroots Business Partners - GBF	Kenya, Tanzania and Ghana	Number of financing platforms developed and operational				0	3
		Number of loans disbursed by the financing platforms and GBP				0	100
		Value of loan disbursed (U$) in indicator #2				0	13M
		Number of high impact Business trained or capacitated by GBP				0	11
		Number of farmers, artisans, entrepreneurs supplying to or distributing for trained SMEs				0	35,000
EFSE - Oppenheim Asset	Albania, Georgia, Moldova, Montenegro and	Amount mobilized within the framework of Armenia local currency window (US$)				0	2M
		Amount disbursed by PLIs in local currency lending (US$)				0	12M

			Performance indicators				
Challenge winners	**Countries**	**Performance indicators**	**Output**	**Outcome**	**Impact**	**Indicator baseline - January 2012**	**Performance targets**
Management	Ukraine	Number of SMEs reached through local currency lending				0	360
		Number of project material prepared				0	1
		Number of conferences/workshops/training events held				0	4
Equity for Africa Limited	Tanzania	Number of SMEs leases disbursed		x		75	362
		Value of SME leases disbursed (US$)		x		0.465 M	8.40 M
		Value of loans > 90 days overdue		x		8%	10%
		Number of workshops, training events, seminars, conferences	x			1	12
		Number of MIS systems developed	x			0	2
BPI - Bank of the Philippine Island	Philippine	Number of in-house training and workshops	x			0	5
		Number of SME clients receiving technical assistance	x			0	100
		Number of marketing materials distributed	x			0	1000
		Value of SME loans disbursed (US$)		x		0	50M
		Number of SME loans disbursed		x		0	50
Bid Network	Kenya, Palestine, Uganda, Liberia, Rwanda, Tanzania, Uganda Nigeria and India	Number of business plans approved for investors	x			289	687
		Number of businesses coached	x			0	693
		Number of businesses financed		x		94	160
		Number of women-owned businesses financed		x		29	44
		Finance leveraged (US$)		x		12,743,785	22,581,997
Barefoot Power Limited	Africa	Number of technicians trained that are providing service and maintenance services				0	850
		Value of loans/financing provided to local SMEs/distributors (US$)				0	7M
		Number of Fis implementing the facility				0	53
		Number of SMEs/importers benefiting from the grant facility				0	468
		Number of loans disbursed				0	185
		Number of BF approved solar lanterns sold through the Grant				0	200,000

ANNEX 2: PEOPLE AND INSTITUTIONS CONTACTED

INSTITUTION	NAME	POSITION
Ashoka Changemakers	Reem Rahman	Knowledge & Learning
Under secretariat of Treasury, Turkey	Aysen Kulakoglu	Co-Chair G20-GPFI
IFC[43]	Alexis Diamond	
	Ignacio Estèvez	
	Risserne Gabdibe	
	Kathrin Hamm	
	Arthur Itotia Njagi	
	Minerva Kotei	
	Wellington Muzondo	
	Nothando W. Nyathi	
	Stephen Francis Pirozzi	
	Michael Steidl	
	Ghada Teima	
	Hourn Thy	
	Noel Verdote	
SME Finance Forum	Matthew Gamser	CEO
GRANTEES		
Aavishkaar		
Intellecap	Aditi Shrivastava	Head, Intellecap Impact Investment Network
BPI		
BPI	Maria Isabel R. Perey	Specialized Lending – Sustainable Energy Finance
	Jo Ann B. Eala	Vice-president Corporate Banking Group
	Chernobly V. Diones	Product Officer
Barefoot Power		
Barefoot Power - Uganda	Anne Kayiwa Kaggwa	Country Manager
Barefoot Power - Kenya	Jackson Machuhi	Country Manager
	Kabiswa Ronald	Distributor (Entrepreneur), Uganda
	Paul Kakiowa	Distributor (Entrepreneur), Uganda
	Bashir Hassan	Distributor (Entrepreneur), Uganda
	Nyeri	Distributor (Entrepreneur), Kenya
Narc SACCO, Nigeria	Kevin Mogaissi	Finance Manager
BIDx		
BID Network	Marijn Bergsma	Investor Matchmaking Specialist
Building Markets		
Building Markets	Aroop Bhattasali	Chief Operating Officer
Capital Tool Company		
CTC	Rob Grimberg	Owner
TREFI	Emush Bozanic	Gerente
	Daniel Eguren	Gerente Comercial
BID/FOMIN	Carmen Mosquera	Specialist FOMIN
COFIDE	Silvia Dávila Oviedo	Jefe departamento de tesorería y mercados
	Grover Cuadros Pérez	Analista de gestión de activos
Caja Municipal de Trujillo	José Luis Cubas Vargas	Coordinador de nuevos productos
AVINKA	Agustín Coronado	Controller
	Eduardo Laynes	Jefe de Finanzas
AXUR	Milagros Graham	Gerente de Administración y Finanzas
BACKUS	Luis Guzmán	Director de Tesorería

[43] Includes the persons who commented on the draft of the evaluation report.

INSTITUTION	NAME	POSITION
	Gonzalo Zapatero	Gerente de Recaudo y Proyectos de Tesorería
Grupo Silvestre	Manuel Testa	Gerente de Administración y Finanzas
Independent	Rogelio Marchetti	Former WB consultant
EFL		
EFL	Bailey Klinger	CEO
Equity for Africa		
EFA	Coy Buckley	Chief Executive Officer
EFSE		
EFSE	Charlotte Rieser	Senior Officer Finance in Motion
Grassroots Business Fund		
GBF	Lilian Mramba	Africa Regional Manager
	Noel Wadaki	Africa Office Manager & BAS Coordinator
	Amos Gichinga	Senior Investment Officer
	Layla Kassam	Office Assistant & Admin Support
	Leah Mburu	Portfolio CFO & Senior Advisor
	Dennis Onyanga	Senior analyst, MIS Coordinator
BrazAfric Enterprises Ltd,	Joseph Kilongosi	Managing Director (Kenya), investee
KZ Noir Ltd	Gilbert Gatali	Managing Director (Rwanda) - investee
CBS	Floris Henning	Strategic Business Consultant (Kenya)
	Moses Ndirangu	Advisor to Wamu . Consultant (Kenya)
	Francis Simbihiro	Coffee Advisor for SNV Rwanda
Medical Credit Fund		
MCF	Monique Dolfing-Vogelenzang	Managing Director
	Bart Schaap	CFO
MFX		
MFX Solutions	Brian Cox	CEO
	Kevin Fryatt	Director of Advisory Services
	Walter Tukahiirwa	East Africa Manager
Finance Trust Bank, Uganda	Anne Nakawunde	Finance Manager
ECLOF, Uganda	Jennifer Mugalu	CEO
Juhudi Kilimo, Kenya	Shadrack Mutunga	General Manager
	Michael Njenga	Chief Accountant
Root Capital		
ASHOKA	Maria Luisa Luque	Directora de Ciudadanía Económica
Root Capital	Vincent Lagace	Former project manager
Root Capital	David	Project manager
ANDE	Katia Dumont	Regional Chapter Coordinator
El Buen Socio	Karla Breceda	Director
FLO	Luis Alvarez	Regional coord.Mexico and Central America
Clients of Root Capital • Comon Yaj Noptic, Independencia • OPCAAC, Jaltenango • Triunfo Verde, Jaltenango • FIECH, Chiapa de Corzo • Yachil, San Cristobal • CIRSA, Simojovel	Management and board members	
	Frank Hicks	Agribusiness expert

ANNEX 3: QUESTIONNAIRE FOR GRANTEES

March 2015

Dear Grantee,

In this questionnaire we ask your contribution to our understanding of the performance and the achievements of the project/initiative for which your organization received a Grant from the G20 SME Challenge. The questionnaire treats two levels:

- The project level: questions about the input, output, outcome and impact of your project/initiative.
- The program level: questions about the G20 SME Challenge, the process to become a winner, the support received, the additionality of the Program.

We are reviewing the situation of the projects and the program as per 31st December 2014. Please answer all questions taking into account this time horizon.

Project level

Input

1. Your project proposal was one of the winners of the G20 SME Challenge. Over the period 2012 – 2014 what % of the total project budget has been funded with financial resources from the G20 grant? Please tick one.

< 10%	>10% <25%	>25% < 50%	>50% <75%	>90%

2. Technology input. Your project uses knowledge and technology to achieve the goal of increasing financial inclusion, or to contribute to this goal. Which of the following apply (please tick one):

We used fully developed technology and the project focused on rolling out	
We used developed technology and its improvement was a marginal component in the project	
We used developed technology and its improvement was an important component in the project	
The technology used or offered was basically developed under the G20 project	

3. How do you classify this in relation with the target clients (SMEs) you attended (directly or indirectly) with the project?

Target clients **Technology**	To better service existing SME clients	To service new SME client groups	To service both existing and new clients	Other
We used or introduced existing technology, methods and platforms				
We used or introduced new technology or methods, to improve what we had				
We developed and used new technology or methods				

4. Allies and partners
   Your project targets SMEs. Who have been your 2 most reliable partners to achieve the output and outcome as defined in the Grant Agreement you signed with IFC? Who have been your 2 most unreliable partners?

Output

5. Your Grant Agreement defines a number of outputs. To what extent do you consider that these outputs have been achieved? Please tick one.

<25%	>25% < 50%	>50% <75%	>75% <100%	> 100%

Clarification (if necessary):

___

___

___

6. Your Grant Agreement defines a number of outputs. Achieving these outputs has taken:

Less time than planned in the grant agreement	The planned time	<25% more time than planned	>25% <50% more time than planned	>50% more time than planned

7. In case the real time was different from the planned time (more or less) what were the 2 main reasons causing this difference?

8. Did the access to the G20 grant funding contribute to the timeliness of achieving the outputs? Please tick one. For the deep dives: *explain.*

Yes, in a fundamental way	Yes, somewhat	No influence	Delayed the implementation	Other

9. How does the cost of achieving the agreed upon outputs relate to the budgeted cost?

Less costly	Less than 5% difference	<25% higher cost than budgeted	>25% <50% higher cost than budgeted	>50% higher cost than budgeted

10. In case the real cost was different from the budgeted cost what were the 2 main reasons causing this difference? *For the deep dives.*

11. Based on the information available in the Grant Agreement we drafted an intervention logic (attached to this mail).
    a. Does this image correctly reflect the link between expected outputs and expected outcomes?
    b. If not what was different?
    c. In the course of the project, did changes occur in the link between outputs and outcomes?
    d. If yes, please describe the changes.

Outcome

12. The key focus of the G20 SME Challenge is the increase of access to financial services by SMEs. What have been the main contributions of your project/initiative to achieve increased access?

13. Quantify the number of SMEs that have been reached by your services:

	2010	2011	2012	2013	2014	2015
Directly						
Indirectly						

<u>Directly</u>: for projects/institutions who have a direct provider/client relationship with SMEs. For example financial institutions or funding facilities.
<u>Indirectly</u>: for projects/institutions who have no direct provider/client relationship with SMEs. For example training initiatives, regional development programs.

14. For the period 2012 – 2014, what % of the SMEs reached consisted of first time clients of formal financial services? Please tick one.

< 10%	>10% <25%	>25%<50%	>50 <75%	>75%	Don't know

15. Your Grant Agreement defines a number of outcomes. To what extent do you consider that these outputs have been achieved? Please tick one.

<25%	>25% < 50%	>50% <75%	>75% <100%	> 100%

Clarification (if necessary):

____
____
____

16. Your Grant Agreement defines a number of outcomes. Achieving these outcomes has taken:

Less time than planned in the grant agreement	The planned time	<25% more time than planned	>25% <50% more time than planned	>50% more time than planned

17. In case the real time was different from the planned time (more or less) what were the 2 main reasons causing this difference?

18. Did the access to the G20 grant funding contribute to the timeliness of achieving the outcome? Please tick one.

Yes, in a fundamental way	Yes, somewhat	No influence	Delayed the implementation	Other

19. Based on the information available in the Grant Agreement we drafted an intervention logic (attached to this mail).
    a. Does this image correctly reflect the link between expected outcome and expected impact?
    b. If not what was different?
    c. In the course of the project, did changes occur in the between outcomes and impact?
    d. If yes, please describe the changes.

20. *For the deep dives only* (projects to be visited by Enclude). During our visit to the Grantee, we want to carry out a pathway assessment with the person designated by the Grantee. The aim is to determine to what extent the intervention has caused the change observed at the outcome level. In other words we will analyze the question of attribution.

21. Sustainability. To be illustrated by the Grantee. Extent to which, once the project and the subsidy has come to an end, the Grantee will continue offering the service/product and/or the parties supported or trained by the grantee will continue to do so

22. After the end of the G20 funded project, our institution will:

Continue to offer the services at fully subsidized conditions	Continue to offer the services at partly subsidized conditions	Continue to offer the services at market conditions	Continue to offer the services but to a limited number of clients	Stop offering the services promoted by the G20 Grant	Other

Impact

23. *In a number of projects the grant Agreement mentions no targets for impact. We will formulate specific impact questions for each project.*

24. *For the deep dives only* (projects to be visited by Enclude). During our visit to the Grantee, we want to carry out a pathway assessment with the person designated by the Grantee. The aim is to determine to what extent the intervention has caused the change observed at the impact level. In other words we will analyze the question of attribution.

Program level

1. What was the main reason for your institution to participate in the G20 SME Challenge?

2. In the period 2008 – 2012 had your institution competed in other Challenges or competitive searches for funding?

3. If yes:
   a. Name of the Challenge(s)
   b. What was the key theme (were the key themes) of the project(s) you presented?

4. If yes, were you a winner?

5. In the period 2009 - 2011 did your organization receive grant funding?

6. For the period 2010 – 2014 list the 5 most important sources of funding for your operations.

7. Additionality: what would you have done if your project would not have received the G20 grant? Please tick the boxes that apply.

Would have canceled the project	Would have postponed the project	Would have scaled down the project	Would have continued the work with own resources	Would have found other grant source	Would have borrowed money to execute	Would have charged the cost of our service to the clients	Other. Specify

8. Input additionality. To what extent the subsidy received from the G20 challenge has crowded out the private or market driven investment in the supported Project? Or has it crowded in addiitonal investment from the Grantee? Please tick the appropriate box in the table. *To be analyzed more profoundly in the deep dives.*

Crowding out effect of G20 grant[44]			neutral[45]	Crowding in effect of G20 grant[46]		
High	Medium	Low		Low	Medium	High

[44] High: each US$ received from the G20 grant allowed the grantee to reduce his project contribution by > $ 0.50. Medium: each US$ received from the G20 grant allowed the grantee to reduce his project contribution by > $ 0.20 < $ 0.50. Low: each US$ received from the G20 grant allowed the grantee to reduce his project contribution by > $ 0.05 < $ 0.20.

[45] Neutral: small changes (< $ 0.05 per public $ invested).

[46] High: each US$ received from the G20 grant caused (motivated) the grantee to increase his project contribution by > $ 0.50. Medium: each US$ received from the G20 grant caused the grantee to increase his project contribution by > $ 0.20 < $ 0.50. Low: each US$ received from the G20 grant caused the grantee to increase his project contribution by > $ 0.05 < $ 0.20.

9. How did the fact that you had to compete for the money (the Challenge aspect) influence the preparation and formulation of your project? As compared to a situation whereby you would have presented the project to a funder without directly competing with other projects or you would have financed yourself. Please tick the relevant boxes (more than one can apply).

Not at all	Margi-nally	Included more information on what we had done before in this field of work	Included more information about the expected outcome and impact of the project	We included more ambitious goals	We included less ambitious goals	We increased our own contribution in the funding	Other specify

10. How does the fact that your project is operating with a grant obtained through a Challenge Fund influence the management and execution of the project? As compared to a situation whereby it would be funded by another donor or with your own resources. Rate on a scale from 0 to 5 where 0 means no influence at all and 5 means a fundamental influence as a result of operating under a Challenge contract. Please tick the relevant boxes (more than one can apply).

We have more financial means to carry out activities	The grant agreement motivates us to be efficient in executing activities	We spend more time complying with reporting require-ments	We learn from other projects in G20 SME challenge	We pay more attention to systemize lessons learned	We focus more on the impact at the level of SMEs	We can contract better personnel	Other, specify

11. How does the project supervision by IFC influence the execution of the project? Please tick the most relevant one.

Not at all	Margi-nally	We are more disciplined in reporting	Contributes to setting time horizons to achieve project targets	We use the "disbursement conditions" as a basis for planning the deliverables	IFC provides us with project relevant know-how	IFC provides us with access to its network	Other (specify)

12. How much time did you win in the development of the project related business or model thanks to the work under the G20 Challenge grant (in years or months)?

13. What is your opinion concerning the contribution of the G20 Challenge to Innovation in the field of improving the financial inclusion of SMEs?
    a. Based on your own project?
    b. Based on what you know about the other G20 Challenge projects?

14. Replicability and scaling up
    a. For the period 2015 – 2017: estimate the scaling up of the project in terms of the number of SMEs reached as compared to the number reached up to 31st dec. 2014. Example: 5 means that if you have reached 2,000 SMEs by 31st Dec. 2014 you estimate to reach an additional 10,000 in the period 2015-17. Please tick one.

1	2	3	5	10	100	Other	No scaling up	Don' t know

b. Do you expect other organizations or companies to offer similar services? If yes, how will they get access to know-how generated through your G20 Challenge funded project?

15. To what extent and in what fields does your G20 Challenge funded project generate spin-offs, "copies" and replicas or unintended effects?

Level	Yes	No	Brief description
Inside your company or organization			
At the level of competitors or other providers offering similar services			
National policies on SME			
Legislation			
Increased overall demand for the promoted service by the SME sector			
Attention for the SME sector in the media			
Other			

16. Visibility of the project, example effect. Indicate which of the following have occurred.

Channel	Website paying special attention to the project	Literature references	Grantee contacted by parties interested in the model	Presentation in conferences, seminars
Write: yes or no				
Quantify where possible for the period 2013 - 2014	# of visits	# references in specialized literature, websites, blogs	# first contacts # sharing of information and project visits by interested parties	# participations