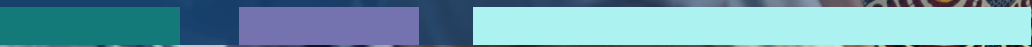




2021 Annual Report SCBF 



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Foreword

The year 2021 marked 10 years of SCBF. To honour this anniversary, we brought together many of our members, partners and donors in November to celebrate our collective achievements [over the past decade](#) and plan for the next phase. It was an absolute pleasure to see many of you and have vibrant discussions, especially after almost two years of social distancing and lockdowns due to the COVID-19 pandemic.

The pandemic pushed even the most reluctant amongst us into the digital era and reaffirmed the value of digital financial services, which are here to stay. But the pandemic also highlighted the challenges that persist. These include consumer protection risks and the digital divide, which drive unequal access to these services for the groups that could benefit the most, such as women or those that are vulnerable. The pandemic has erased [six years' worth of progress in human development](#), while [an additional 100 million people](#) around the globe were pushed into extreme poverty. Furthermore, the Sustainable Development Goals (SDGs) now face [an annual funding gap of USD 4.2 trillion](#).

As we look to recoup the previous gains in development lost during the pandemic, we turn our attention to new business models, inspired by digital innovation, that are able to respond to the global challenges facing inclusive finance. During the 10th anniversary event, we focused on the pain-points of small and growing high impact enterprises (HIEs), of which greater than 80% are not operating at, or near scale.

HIEs struggle to attract the right flexible, patient and catalytic capital to help them navigate the [Pioneer Gap](#) – the phase when they are too large for

seed funding and yet do not have the track record required to access investment for scaling-up. To institutional commercial, impact and venture capital investors, who invest **with impact not for impact**, these HIEs are too early-stage, too small or too risky, or have too little guarantee of financial return. As part of the 2030 strategy, SCBF will explore enabling and funding these HIEs with [impact-linked finance](#). This will build on our core business – the provision of funding for technical assistance to develop tailored financial products, services and channels for low-income clients.

On the operational front, in 2021 SCBF started a four-year funding phase (2021-2024) with CHF 7.9 million from the Swiss Agency for Development and Cooperation (SDC) and CHF 500,000 from the Swiss Re Foundation. Over this period, our main goals include reaching **one million low-income and vulnerable households, smallholder farmers and MSMEs**, of whom **66% are expected to be women**, with new formal financial services and products. Additionally, we will support at least 30 new financial sector partners. We will ramp up our resource mobilisation efforts to ensure we can effectively deliver on these targets.

In 2021, we committed over CHF 1.36 million towards 13 new projects, attaining CHF 18.26 million in grant-funding committed since inception. The projects we co-funded touched a variety of themes: digital transformation for effective and efficient service delivery, micro-property insurance to enhance the resilience of MSMEs and low-income households, and innovative index-based insurance to enable vulnerable smallholder farmers and households to adapt in the face of an increasingly changing climate. Additionally, SCBF's membership grew from 25 to 27, as we had the pleasure to welcome [AXA](#) and the [Basel Agency for Sustainable Energy \(BASE\)](#).



“

As we look back on the last decade – a period of deep political and economic change – it is remarkable how much we have accomplished. These achievements were possible due to the unwavering support from our donors, members and the global SCBF community, whose commitment to innovating inclusive finance for our end-clients is unmatched. We thank you for your commitment and are deeply grateful for your dedication.

We look forward to an even brighter future.

Photo credit: Women's World Banking / Lead Foundation

To ensure that we can improve the effectiveness of technical assistance provision to financial sector partners and continuously provide value to the broader industry stakeholders, we launched a new Learning and Insights strategy in the autumn of 2021. In a short amount of time, we have generated insights and vibrant discussions on topical issues, such as how housing finance strengthened resilience during the pandemic. More details on our strategy, approach and planned activities can be found in the Governance section of the report.

Moving forward, we will concentrate on articulating SCBF's new strategic direction and testing new approaches to funding inclusive finance. We plan to explore new strategic alliances, build on the knowledge sharing agenda, multiply our partnerships, diversify our funding and identify new fields of innovation where SCBF can keep pushing the envelope.

We are grateful to all our members, donors and partners for your ongoing contributions and support that made 2021 a success. These have been crucial to creating the springboard we need to explore new opportunities in 2022 and beyond. Finally, we hope 2022 will mark SCBF's strategic pivot. With much to celebrate and look forward to in the coming years!

Warm regards,

Olga Speckhardt
Board Chair

Sitara Merchant
CEO

SCBF at a glance



Projects funded



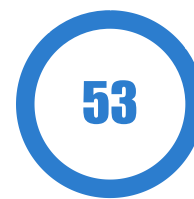
Grant funding invested in projects by SCBF and strategic partners



Ratio of funding leveraged from public (CHF 22.7M) and private (CHF 36M) sectors



Financial sector partners supported



Technical assistance providers

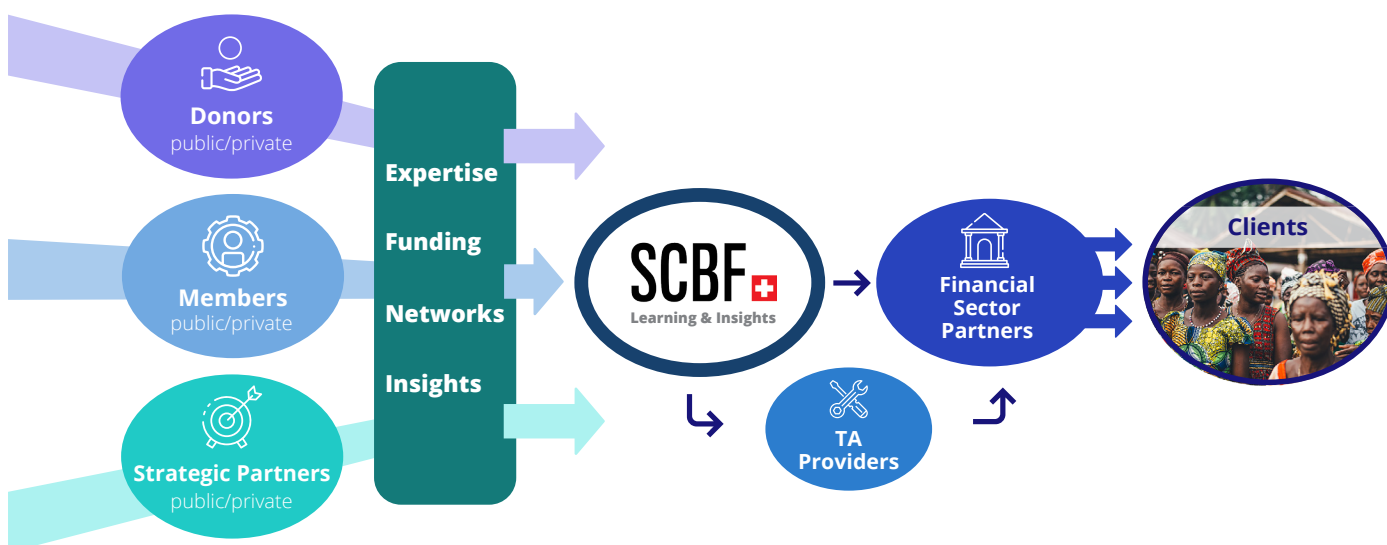
The Swiss Capacity Building Facility (SCBF) is an innovative public-private development platform to enhance inclusive finance for low-income clients, especially women, smallholder farmers and MSMEs, in emerging contexts. We enable financial sector partners to access the expertise required to develop and scale innovative solutions that address the unique challenges these clients face. Financial sector partners include microfinance institutions, insurance companies, insurtechs, fintechs, as well as aggregators such as input providers that can act as distributors for insurance.

Our platform, which has been refined over the last 10 years, leverages the technical expertise of our diverse member organisations to meet its key objectives in advancing financial inclusion. The platform also facilitates partnerships, convenes relevant organisations, manages grants, and distils and disseminates insights.

The approach allows SCBF to have a small organisational footprint while overcoming some of the challenges to public-private cooperation.

The SCBF platform

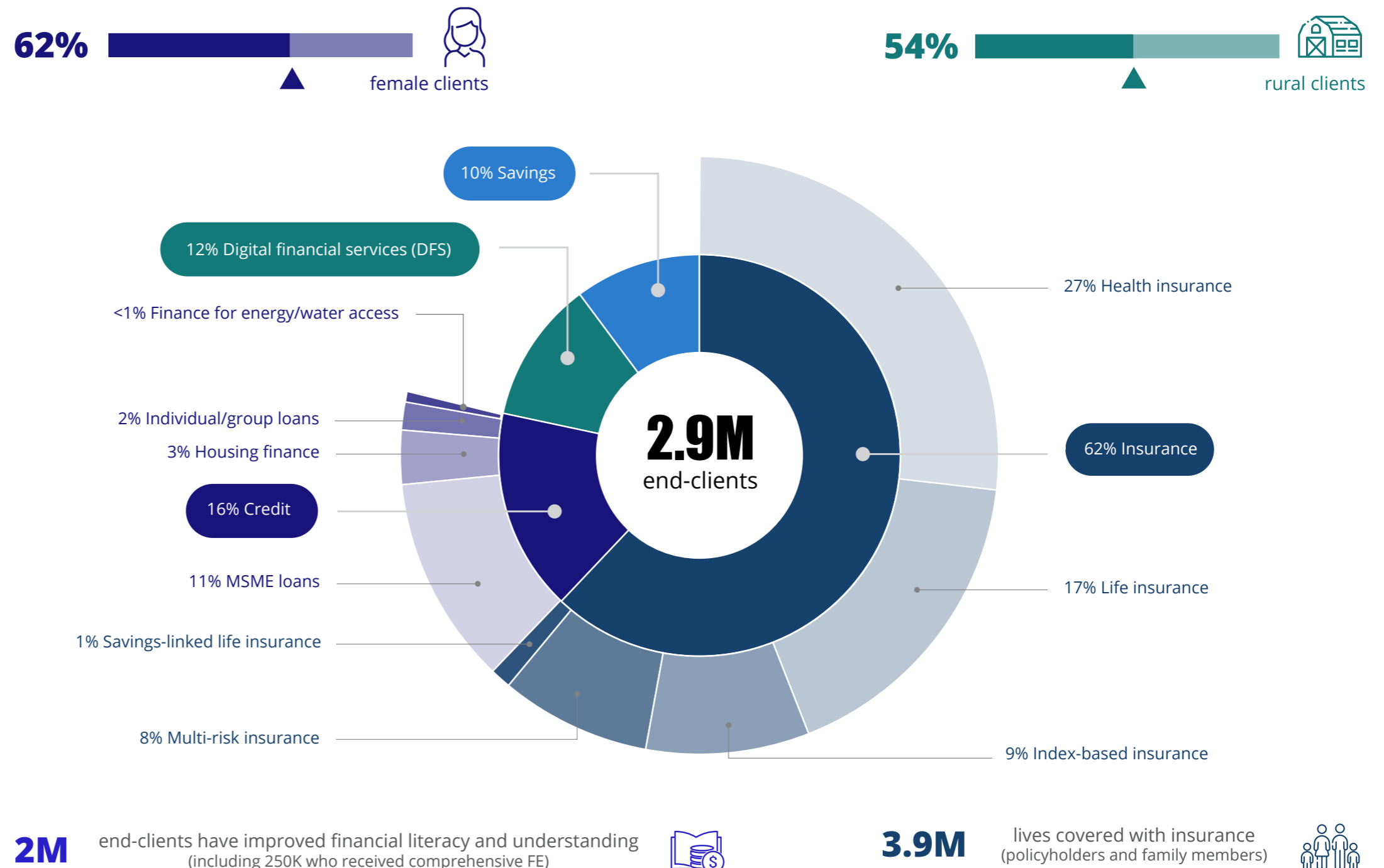
Improving the quality of life and livelihoods of low-income and vulnerable households, smallholder farmers, MSMEs and high-impact social enterprises, particularly women



Key achievements

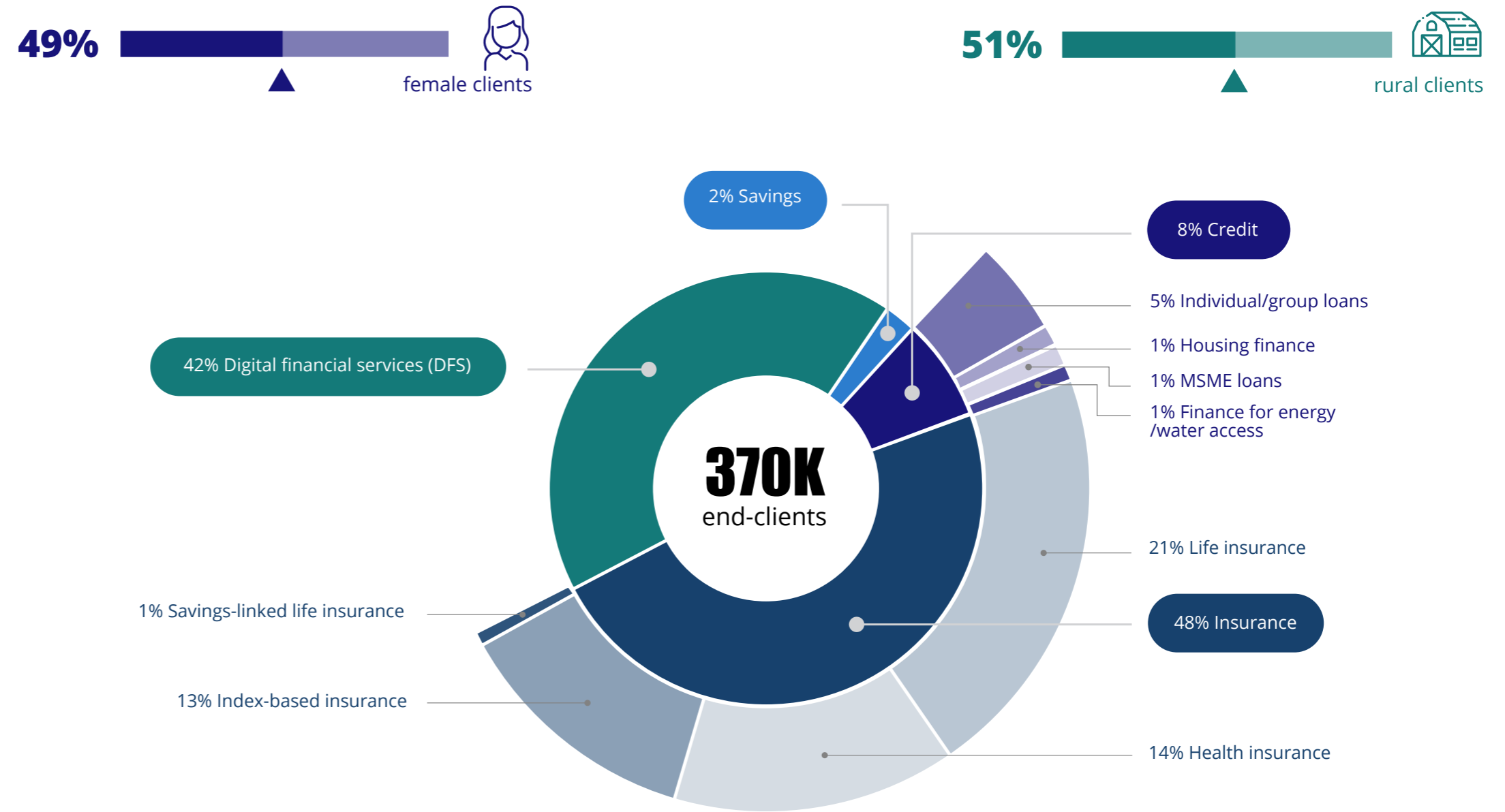
Since inception, the SCBF grant funding has enabled 2.9 million end-clients, of whom over 62% are women, to access and use tailored financial services, products and channels that enhance their financial inclusion. In 2021, over 370,000 unique, new clients benefitted from these.

Transforming lives with public/private partners: Outreach since inception



A key priority for SCBF is to spur the development and reach of products which build the resilience of vulnerable populations in the face of adverse events, such as weather-related disasters or death or illness of the main breadwinner, while upholding their living standards. In line with this, a majority of the outreach, since inception as well as in 2021, is concentrated around insurance-related products and services. Globally, life and health insurance account for almost 1.3 million unique policyholders since inception and over 130,000 new policyholders in 2021.

Transforming lives with public/private partners: Outreach in 2021



608K end-clients have improved financial literacy and understanding (including 59K who received comprehensive FE)

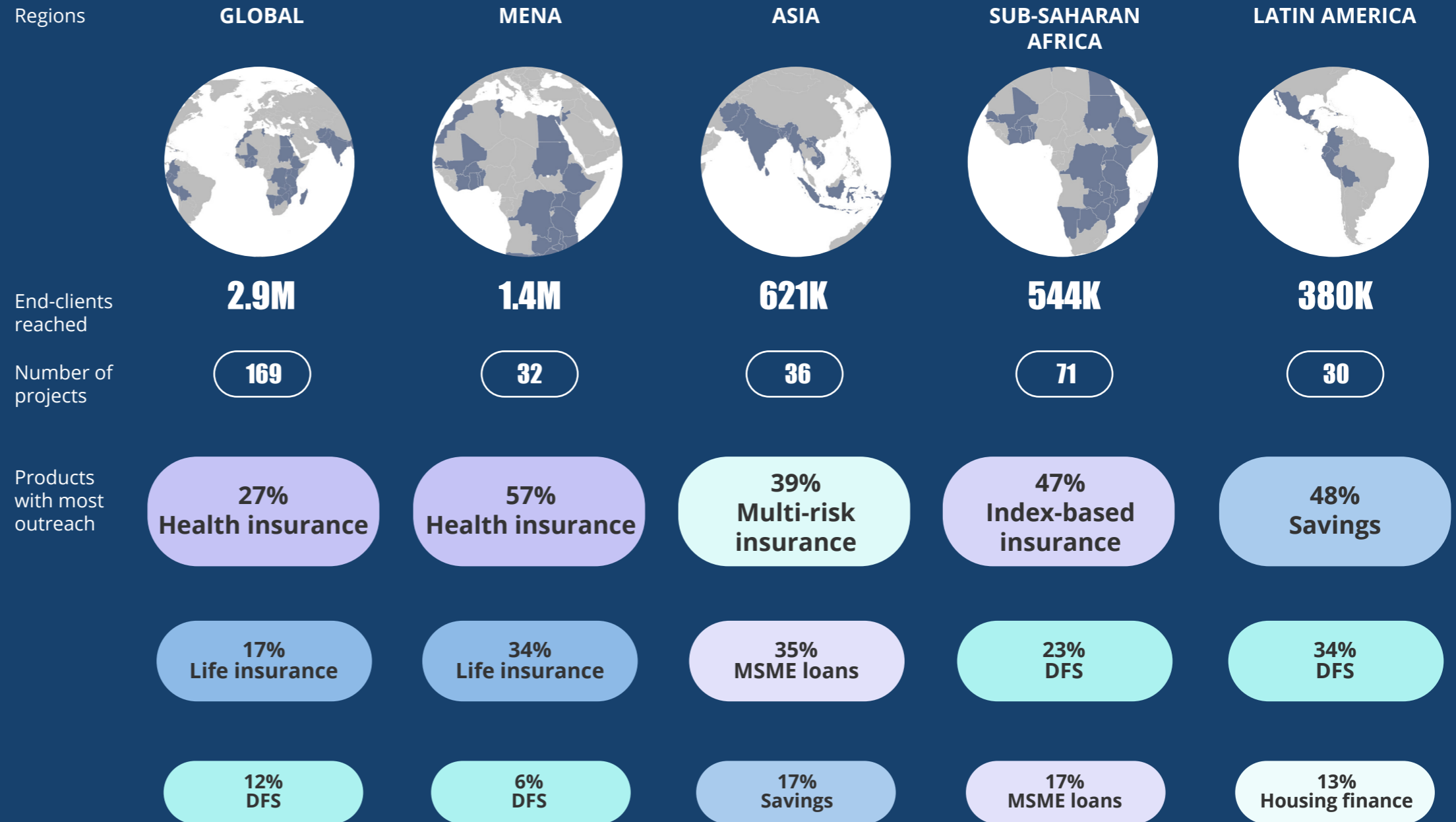


1.4M lives covered with insurance (policyholders and family members)



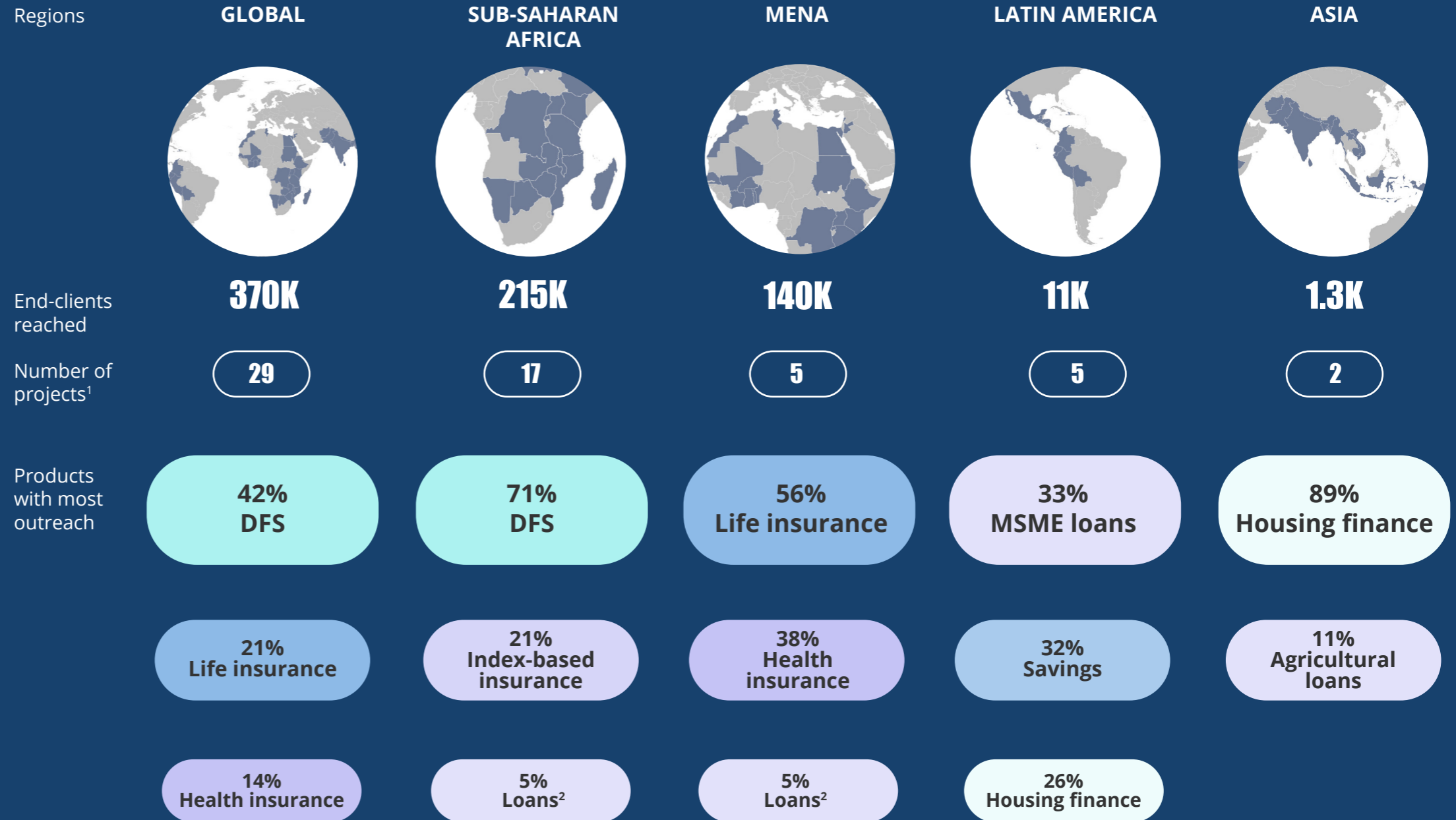
In many contexts, the health and life insurance products supported by SCBF also provide coverage for the spouse and children of the principal policyholder. As a result, over 3.9 million unique lives have been protected so far. In 2021 alone, 1.4 million lives were protected through active insurance coverage (note that this figure is higher than the one included in the pie-chart for 2021 outreach, which includes only new clients across the product portfolio, and 1.4 million is the number of family members and the principal policyholders covered through new and renewed policies).

Regional perspective: Outreach since inception



Embedding and leveraging digital technologies, spurred by the growth in mobile phone and internet penetration, has the potential to revolutionise financial inclusion by allowing companies to reach those that have been excluded due to distance, lack of infrastructure or high transaction costs. This is why SCBF has been systematically focusing on companies and business models that use technology to drive down costs while expanding reach to underserved segments. While historically, SCBF-supported health and life insurance products have had the highest outreach, thanks to deliberate efforts in fostering digitisation and innovation, there was a significant increase in the uptake of digital financial services, yielding 42% of the outreach in 2021. Over 156,000 people accessed digitally-enabled mobile banking, savings, payments and credit.

Regional perspective: Outreach in 2021

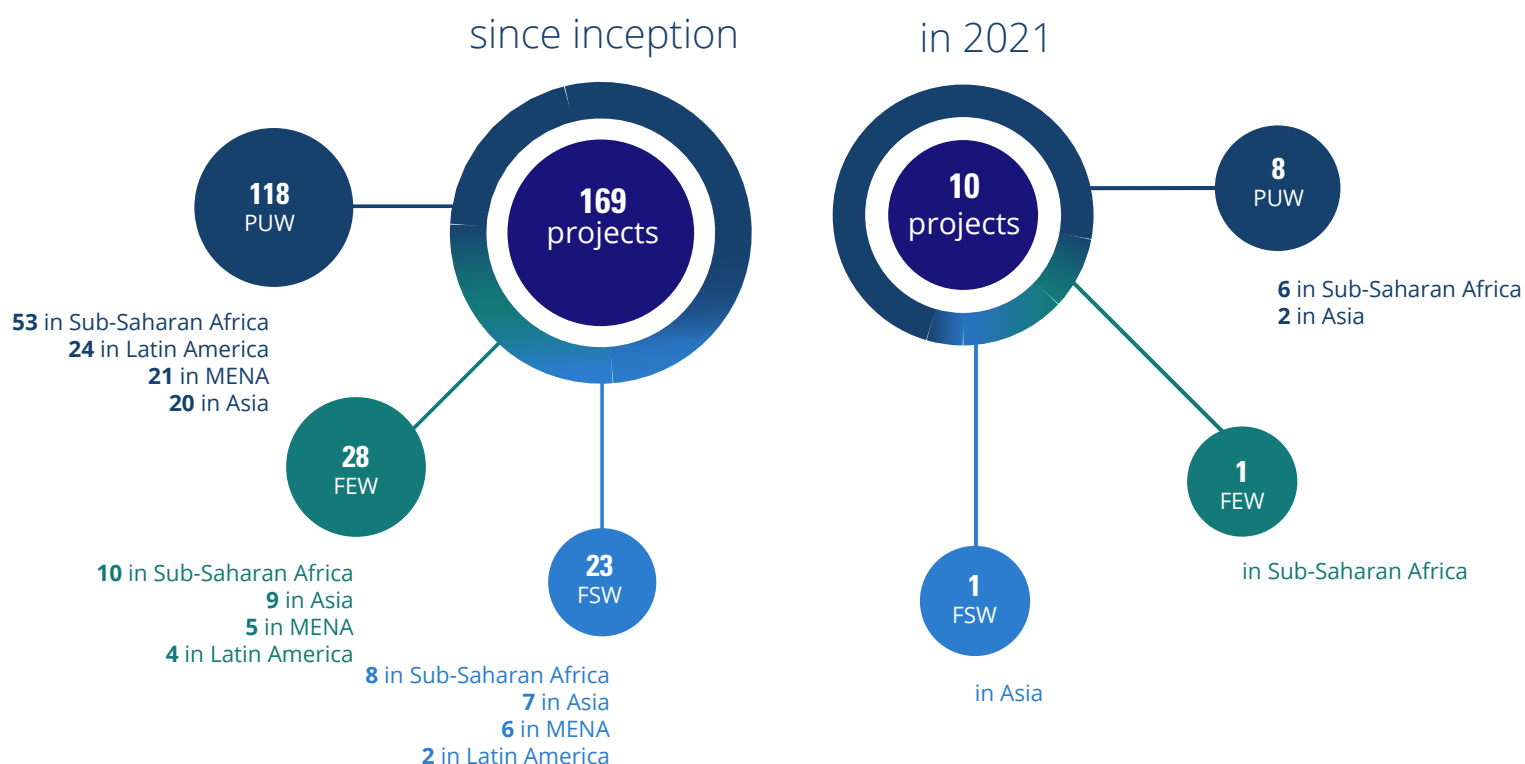


¹ Projects that shared 2021 outreach data, not including financial education campaigns

² Refers to individual or group loans

Overview of projects

Breakdown by region and type of project



SCBF co-funds interventions through three windows:

- **The product up-scaling and innovation window (PUW)** co-funds TA to develop, pilot, assess the effectiveness of, replicate and scale innovative, client-centric financial products, services or channels.
- **The feasibility study window (FSW)** enables financial institutions, fintechs and insurtechs to undertake feasibility studies or dry runs ahead of introducing innovative products, services or channels.
- **The financial education window (FEW)** allows financial sector partners to develop tailored campaigns to enhance the financial literacy of end-clients and in principle, these campaigns always accompany a PUW project.

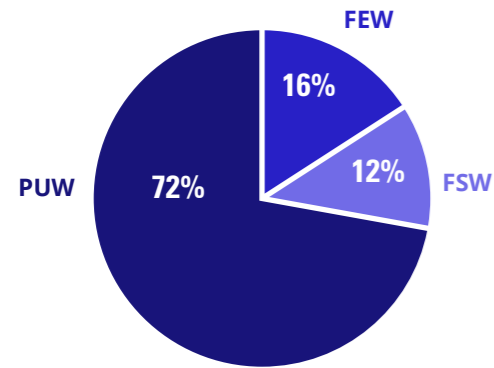
Aligned with global development priorities, the majority of the projects co-funded by SCBF in 2021 were in sub-Saharan Africa, the region with a [disproportionately high share](#) of the world's least developed countries. Scaling solutions that are developed by and for the needs of communities within sub-Saharan Africa is thus critical to achieving the SDGs.

While SCBF recently expanded the remit of [countries eligible for technical assistance funding](#), we will continue to prioritise sub-Saharan Africa due to its high impact potential and a diverse range of local talent.

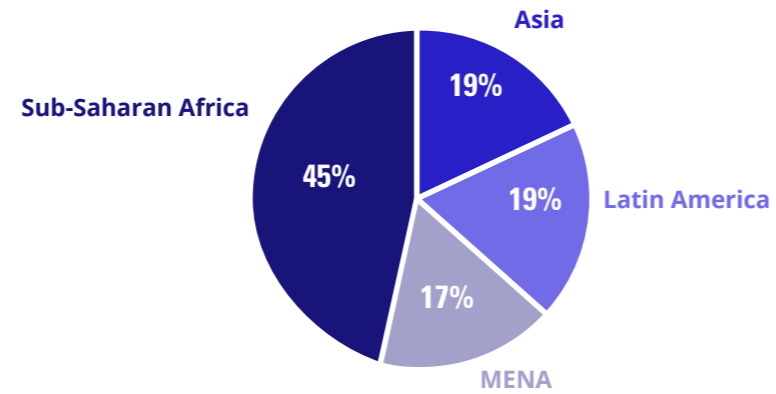
Breakdown by funding commitment to projects: **Since inception**

Total SCBF contribution: CHF 18.26 million*

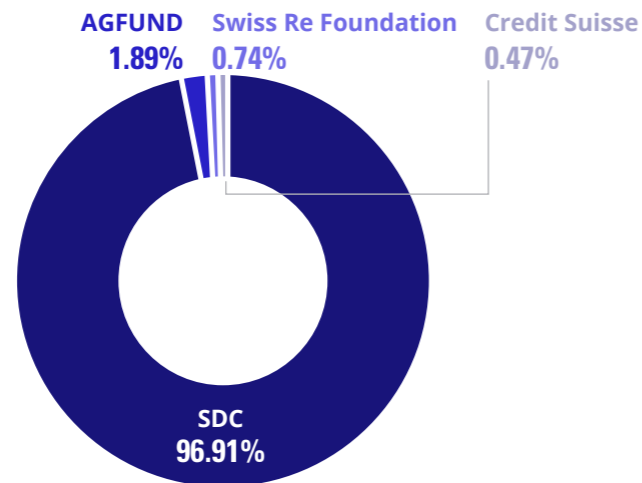
SCBF commitment by project type



SCBF commitment by region

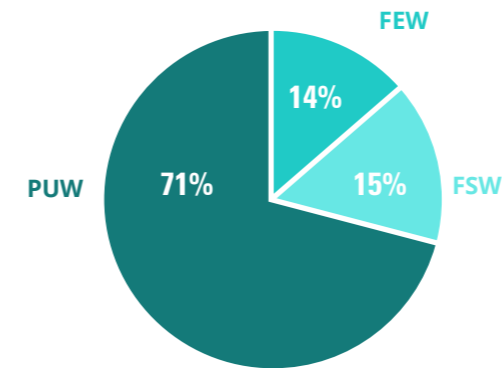


SCBF commitment by donor

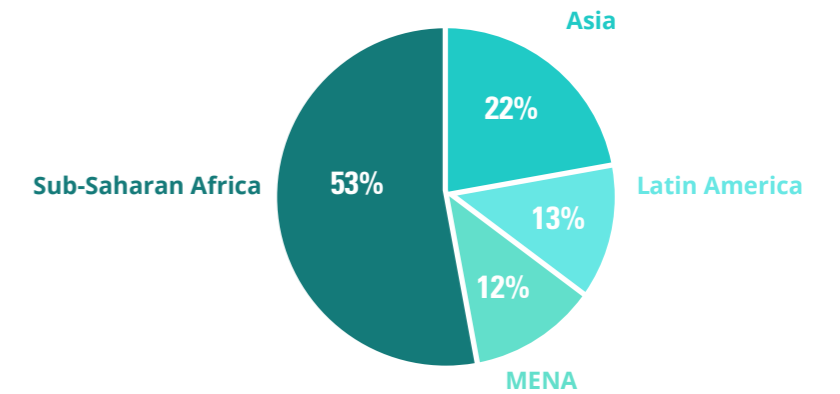


Total matching contribution: CHF 15.43 million*

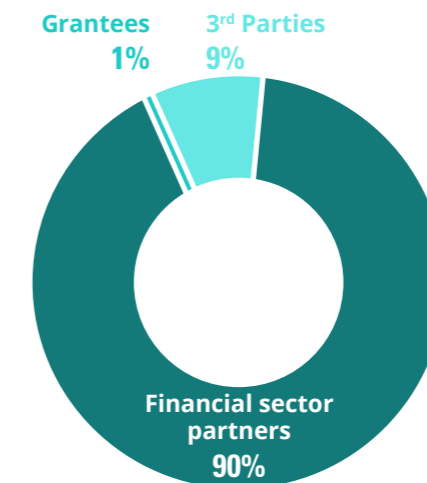
Matching contribution by project type



Matching contribution by region



Matching contribution by project partner

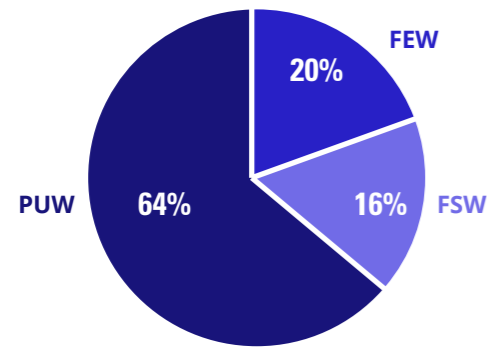


*includes all projects signed up to 31.12.2021

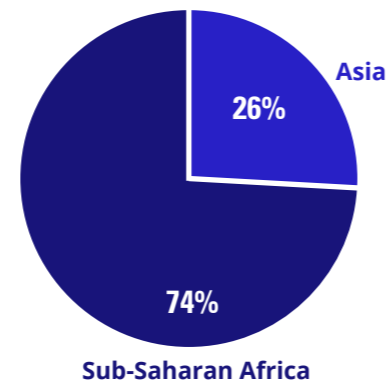
Breakdown by funding commitment to projects: In 2021

Total SCBF contribution: CHF 1.36 million*

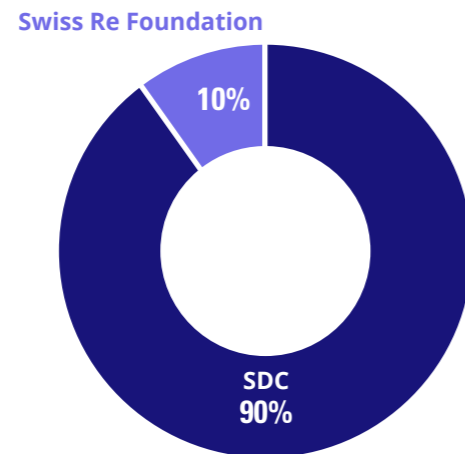
SCBF commitment by project type



SCBF commitment by region

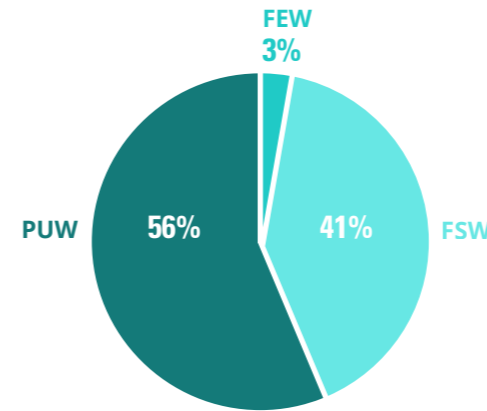


SCBF commitment by donor

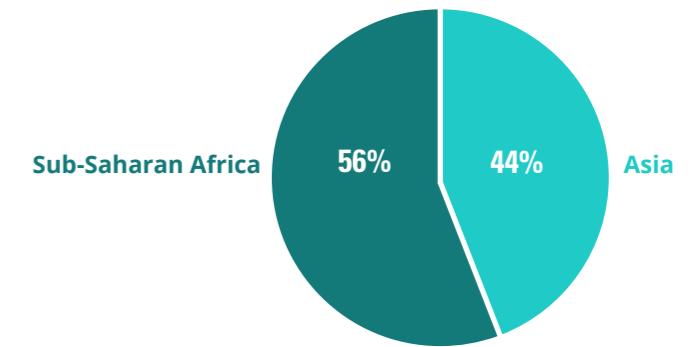


Total matching contribution: CHF 3.21 million*

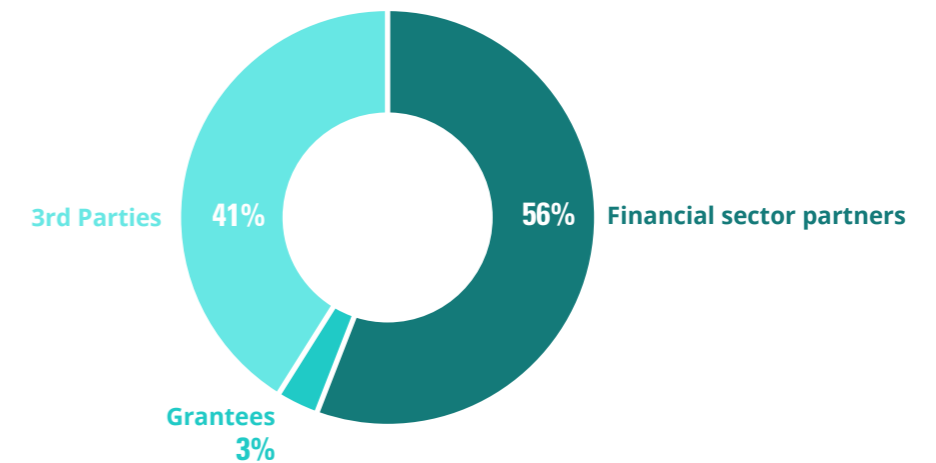
Matching contribution by project type



Matching contribution by region



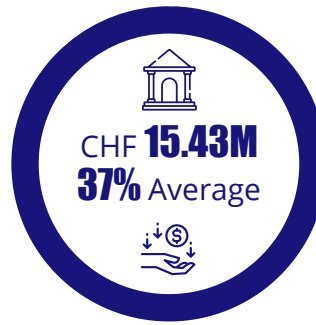
Matching contribution by project partner



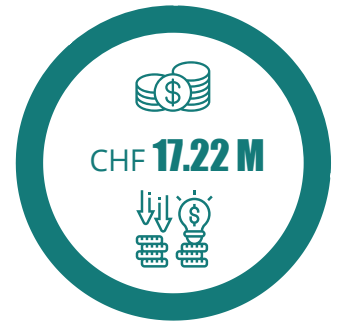
*includes all projects signed between 1.1.2021 – 31.12.2021

Resources leveraged from donors, partners and members

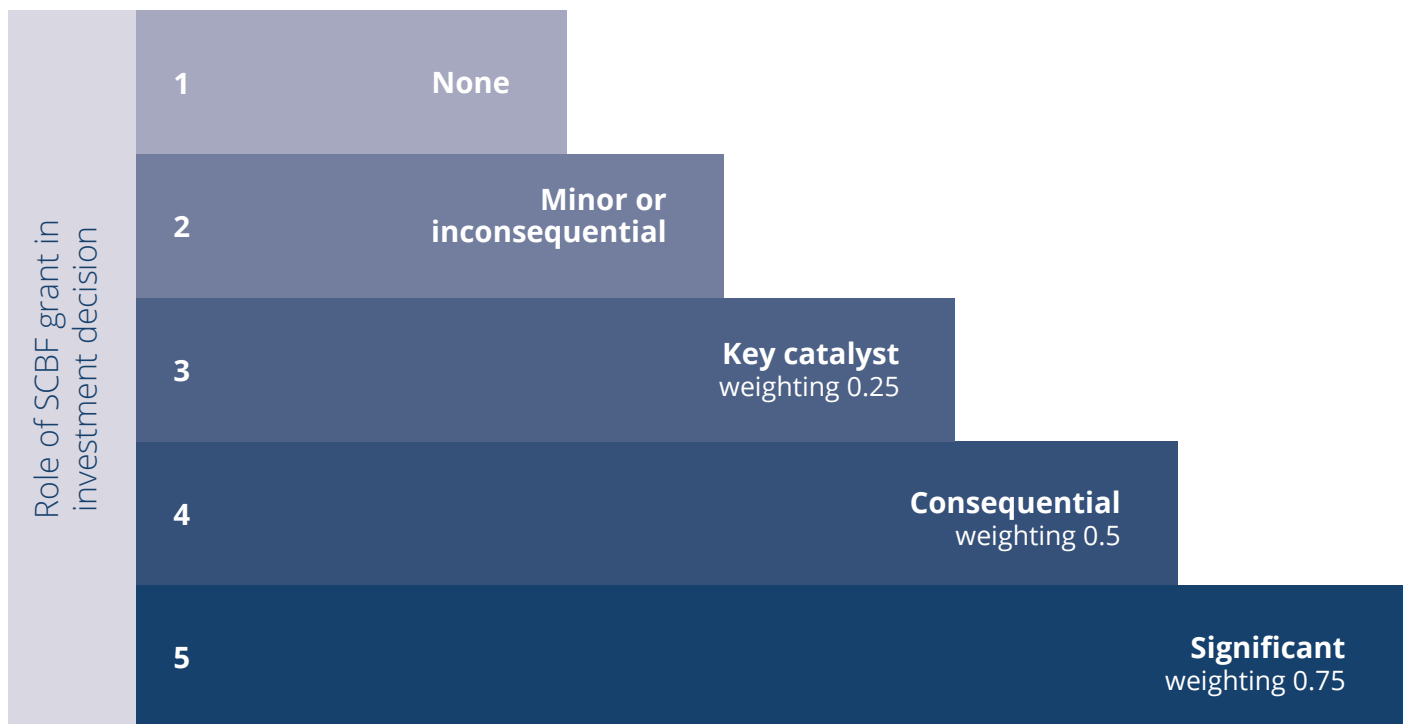
Over the past three years, SCBF has increasingly crowded in funding from its financial sector partners, grantees and other project partners, highlighting an increased commitment to projects. Additionally, one of the key success measures for SCBF is the amount of private sector investment the project partners have been able to mobilise, either as debt or equity. Project teams are regularly requested to share details of the investments they have received and use a five-point scale to rate the role played by the SCBF grant funding in helping mobilise these investments. Based on the analysis of this data, the SCBF funding has been catalytic in enabling financial sector partners to raise CHF 17.22 million, to date, in additional investments.



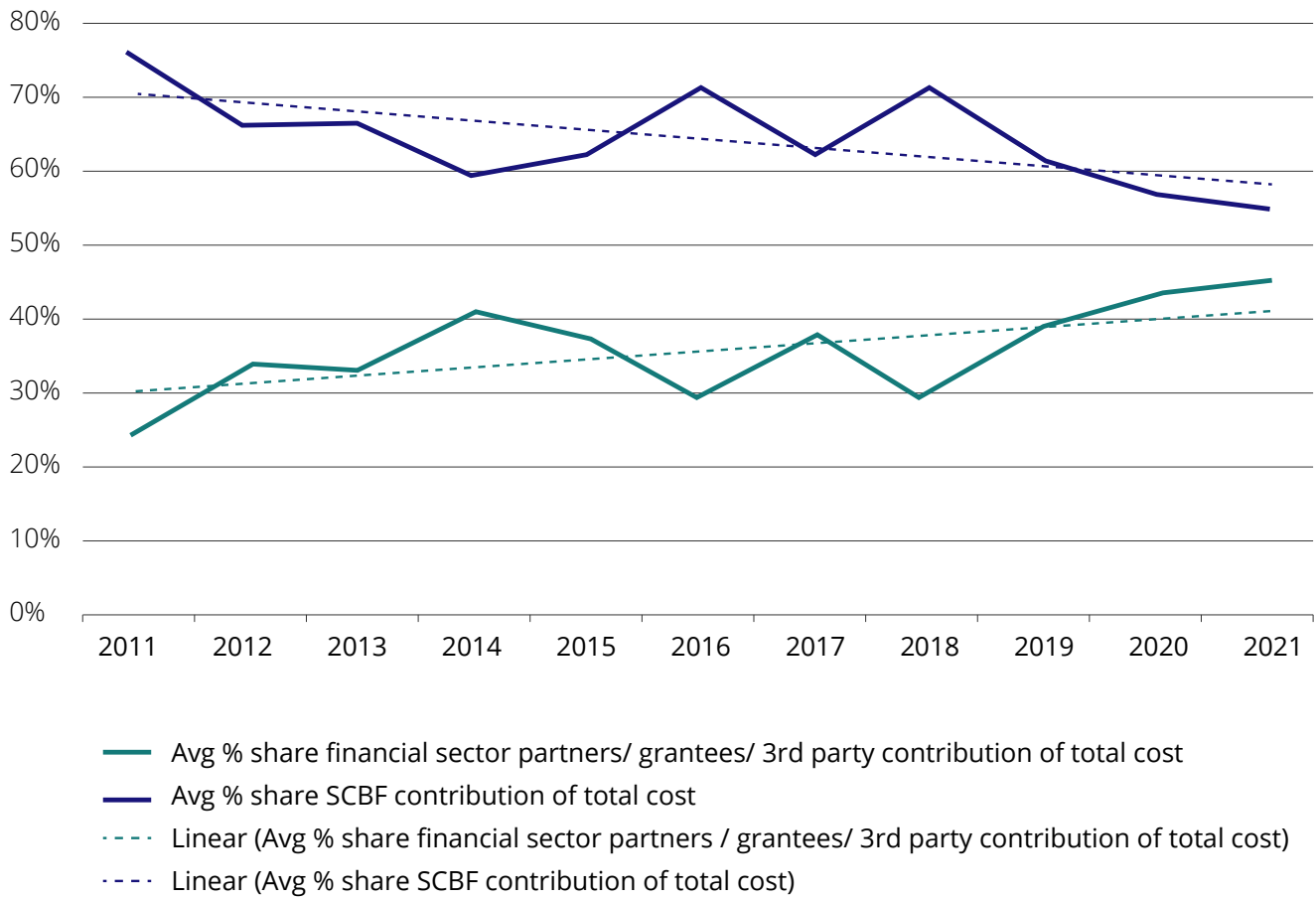
Amount and percentage of project matching contribution from financial sector partners, grantees and 3rd parties (at application)



Amount of private investments leveraged



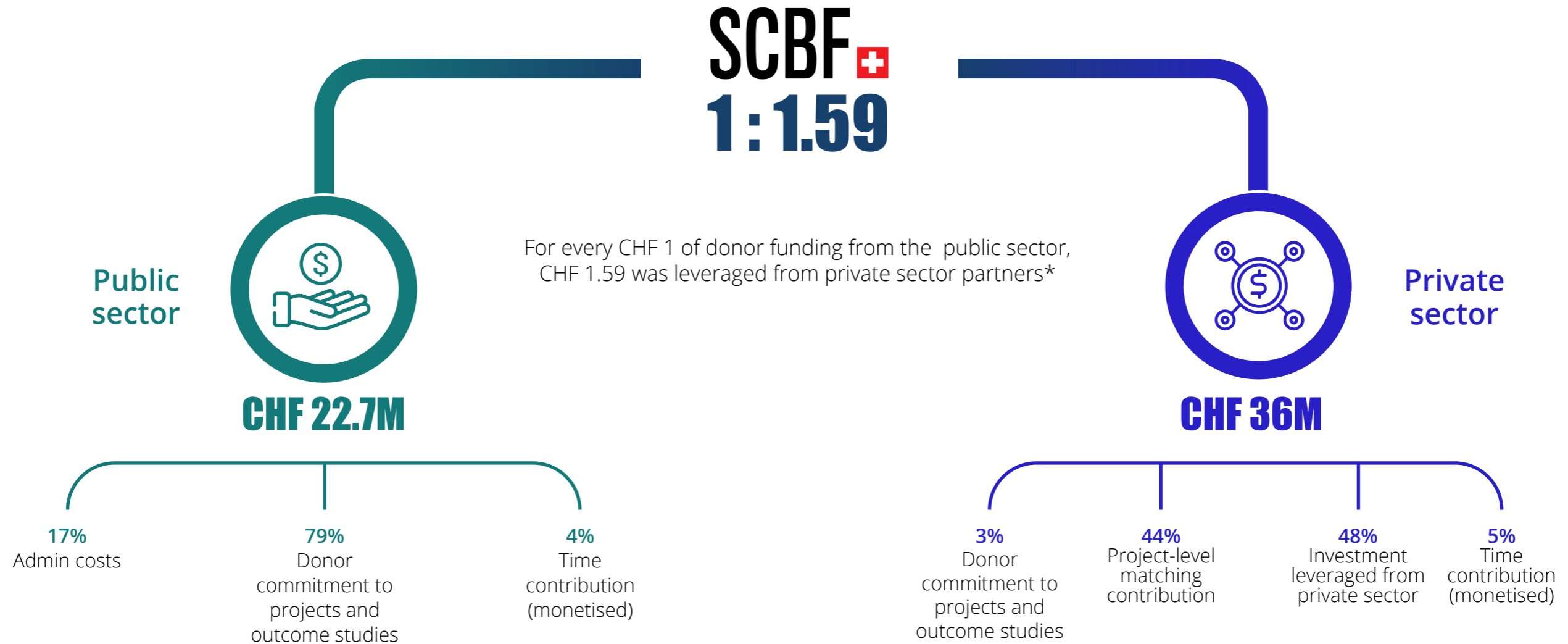
Average project-level cost-share by year



It is worthwhile noting that over the past few years, the project-level contribution from partners has increased while the commitment from SCBF has been gradually declining. The increased investment from partners highlights that they have “skin in the game” and are committed to sustainably improving financial inclusion. The dotted lines in the above graph represent the cost-share trends (negative trend for SCBF and positive trend for partners).

Analysing data on the amount committed by SCBF, through project grants and outcome studies, donor contributions towards SCBF’s operational costs, in-kind time contributions from members, project-level matching contributions, and investments leveraged by financial sector partners, reveals that for every CHF 1 from the public sector (total CHF 22.7M), an additional CHF 1.59 (total CHF 36M) has been leveraged from the private sector. For SCBF, this figure is critical in not only quantifying the spirit of public-private partnership but also for demonstrating the importance of multi-sectoral collaboration for financial inclusion.

Public & private sector collaboration: Investments mobilised towards financial inclusion



* To create more consistency, we have updated the treatment of donor contributions to align with the year the funding is used. Using the old method, the leverage ratio would be 1:1.93, up from 1:1.82 in 2020.

SCBF and the SDGs

Financial inclusion is cross-cutting across global social, economic and environmental challenges, and has a potential to contribute to *achieving many of the SDGs*. Since their launch in 2016, SCBF projects, which focus on inclusive finance to transform the lives of bottom-of-the-pyramid clients, have contributed to 12 of the 17 SDGs.



1.3 million mainly low-income clients have accessed or used financial services and products

Providing low-income households and small businesses with financial tools such as savings, insurance and payment mechanisms can provide them with opportunities to advance their economic situation, cope with shocks and climb out of poverty. Through technical assistance grants, SCBF supports local financial institutions and stakeholders to access the expertise needed to develop and deploy solutions, especially digitally-enabled, to reach those furthest behind.

Over 199,000 clients (mainly smallholders, households and rural MSMEs) have accessed credit, index insurance and microleasing support

Ending hunger and malnutrition is contingent upon resilient and sustainable agriculture and food systems. Despite producing most of the food in the developing world, smallholder farmers are often food insecure. SCBF has supported the scale up of financial tools, such as agricultural loans, microleasing support and weather-index insurance, to enable small farmers and rural agri-enterprises to invest in the productivity of their farms and to be more resilient in the face of climate change.



668,000 people (including principal policyholders and their family members) have accessed health insurance

Through projects that focus on developing and refining innovative and affordable health insurance schemes, SCBF contributes to reducing the financial hardships that prevent low-income clients, in particular women, from accessing the health-care services they need.

Over 250,000 people have benefitted from comprehensive financial literacy trainings

SCBF-funded financial education (FE) campaigns contribute to enhancing the financial awareness and literacy of low-income populations. While most of the FE campaigns are linked to specific products, SCBF has also funded comprehensive trainings that cover digital literacy, business education and planning, as well as good agricultural practices for projects focusing on smallholder farmers.

Through this, SCBF contributes to SDG 4 by promoting life-long learning for youth and adults, impacting their livelihoods and creating opportunities for employment, decent jobs and entrepreneurship.



At least 950,000 women have accessed or used financial services and products

Globally, 56% of those without access to formal financial services, such as bank accounts, are women (FINDEX, 2017). Ensuring that women can equally benefit from financial services is not only a precursor to women's economic empowerment, but can also translate to positive strides in gender equality. By funding projects that focus on improving women's access to affordable, relevant financial products and services, SCBF is helping to close the gender gap in financial inclusion and thus is contributing to gender equality.

Over 8,000 clients (mainly rural households and MSMEs) have accessed micro-credit for clean energy solutions

Access to reliable and affordable energy is essential for people to meet their basic needs and undertake productive activities that contribute to economic growth while mitigating climate change. SCBF focuses on projects that aim to build links between clean energy solution providers, financial intermediaries and low-income clients.



8 DECENT WORK AND ECONOMIC GROWTH



76 financial sector partners supported

Improving low-income clients' access to financial products and services positively impacts economic growth as it provides avenues for increasing incomes, investing in small businesses and job creation. SCBF supports financial sector partners to develop relevant, customer-centric products, services and channels and financial literacy campaigns, improving the financial health and inclusion of 1.3 million clients.

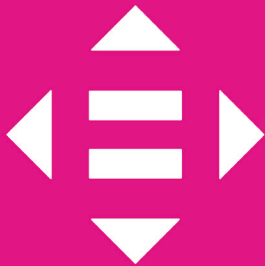
Over 150,000 entrepreneurs, small businesses and farmers received loans to invest in their livelihoods

Small businesses and small-scale industries (including MSMEs) play a huge role in powering developing economies. Yet, they lack the financial services, such as access to credit, they need to grow and innovate. SCBF funds projects that improve small businesses' access to these financial services.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



CHF 5.2 million committed to funding financial inclusion projects in 18 least developed countries (LDCs)

Financial inclusion can reduce income inequalities and contribute to economic growth. SCBF prioritises and channels investments in resource-poor contexts, especially LDCs.

Over 62,000 low-income clients and households accessed affordable housing finance

Adequate housing is a basic human right, however over 1 billion people live in slums or informal settlements (UNSTATS SDG 11, 2019).

By supporting partners that operate in the housing sector, SCBF has promoted the development of products and services that enable low-income clients to invest in improving the quality of their housing.

11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



192,000 smallholders accessed weather-based index insurance products

Smallholder farmers in developing countries bear the brunt of climate change, however less than 20% of smallholders are covered against climate risks (GSMA, 2020). SCBF invests in scaling index insurance, which provides financial coverage for losses due to extreme weather. Farmers insured can avoid resorting to negative coping strategies when a climate disaster strikes, and additionally benefit from training on improved agricultural practices.

CHF 9.9 million committed in grant-funding through 94 projects

SCBF is a public-private development partnership platform with 27 members providing funding, networks and expertise to financial sector partners (FSPs) in developing countries with the goal of advancing sustainable development through financial inclusion.

Since 2016, SCBF has committed CHF 9.9 million through 94 project grants, enabling 38 TA providers to strengthen the capacity of 76 FSPs.

If project-level matching contributions and catalysed private sector investment are included, SCBF's partnership approach has mobilised CHF 33 million towards actions impacting the SDGs.

17 PARTNERSHIPS FOR THE GOALS



10 years of SCBF

In 2021, SCBF celebrated 10 years of uniting public and private partners to deliver customer-centric financial services to the un(der)served. This anniversary was to celebrate SCBF's successes in reaching 2.6 million low-clients (as of 31.12.2020) a majority of whom are women, and an opportunity to reflect on priorities for the next 10 years.

The anniversary arrived at a unique moment in time. With the global pandemic [pushing an additional 100 million people into poverty](#) and undoing years of progress towards ending extreme poverty, there is a renewed urgency for public-private cooperation that leverages sector expertise and funding to catalyse new business models for achieving the Sustainable Development Goals (SDGs). During the pandemic there was less inclusive growth, making the work of SCBF and its partners more important than ever. Recognising this, SCBF marked the anniversary through two key opportunities to reflect – [documenting 10 years of lessons](#) on moving the needle on inclusive finance and convening key partners – to evolve the SCBF strategy to address the current and future global challenges.

The [10th anniversary report](#) highlighted stories from across the SCBF platform, showcasing how SCBF brings together public and private donors, members, technical assistance providers, and financial service providers to deliver value for the end-client.

These stories clearly highlight SCBF's priorities: partnerships, customer-centricity, climate resilience, empowering women, and leveraging digital transformation to lower costs and drive meaningful access.

To build on the publication, SCBF gathered a select group of members, donors, and partners in November 2021. Participants largely discussed ways to approach one more SCBF priority: [tackling the Pioneer Gap](#). The Pioneer Gap is a term used to describe the moment when many social enterprises fail, as they have a viable proof-of-concept but have not yet gained enough traction to be considered investable by many impact or commercial investors. This gathering helped validate and refine SCBF's focus for the next 10 years: increasing the platform's ability to help social enterprises overcome this challenge. The event provided critical insights into how SCBF can increase its available tools and range of partners to deliver the right mix of expertise, funding, networks, and insights at the right moment in time. These insights will help to ensure that the SCBF platform continues to drive sustainable growth among the pioneering companies best placed to deliver durable solutions to help low-income households withstand present and future challenges.



Female farmer from rural Tunisia, benefiting from tailored lending solution. Photo credit: Advans Tunisie.

2021 highlights

Focus on learning and insights

SCBF is currently focused on two main objectives: improving the effectiveness of technical assistance provision to partner financial service providers and sharing the insights from the innovative projects funded by SCBF. To achieve these objectives, SCBF launched a new Learning and Insights strategy in 2021. The Learning and Insights Strategy seeks to:

1. **identify, curate and capture** insights from SCBF's 160+ projects and from its members;
2. **facilitate discussion and research** to connect lessons from these insights to the broader global conversations on financial inclusion;
3. **publish and disseminate** insights, thereby creating platforms for members and partners to connect and learn; and
4. **ensure** these insights and discussions are used to iterate and improve SCBF-funded interventions.

The Learning and Insights Strategy is thematic-based, with themes selected based on member priorities, the SCBF portfolio of interventions, and donor commitments. Each theme is explored through different approaches and channels to effectively engage a variety of audiences: discussions facilitated through in-person events, webinars, and members' calls; robust qualitative and quantitative research to fill industry knowledge gaps; and dissemination of learnings through blogs, publications, and media outreach.

In 2021, the Learning and Insights Strategy launched three themes:

1. **Housing finance and resilience**, specifically partnering with SCBF member Habitat for Humanity to summarise findings from studies in the [Philippines](#) and from [Indonesia and Egypt](#);
2. **Agent management and growth for digital financial services (DFS)**, highlighting initial insights from SCBF-funded projects underway with [fintech start-ups Kuunda and Pezeshu](#); and
3. **Agricultural insurance for climate resilience**, hosting a discussion with SCBF members in October. This discussion set the stage for field research with [Blue Marble Microinsurance](#) and [Old Mutual Zimbabwe](#) to collect farmer stories ([published in 2022](#)) and a potential outcome study to gauge the impact of SCBF's agricultural insurance interventions on end-clients (planned for 2023).

SCBF learning and insights framework



Each of these themes will continue in 2022. In addition, the Learning and Insights Strategy will launch a new theme on reaching women, including publication of findings from the ongoing outcome study on [Caregiver health insurance](#) for women in [Egypt](#) and [Morocco](#).

Additional themes and approaches will be continually defined in partnership with members. In doing so, the strategy will align with, and contribute to, SCBF's communication, outreach, and fundraising efforts, while pulling the relevant insights from each of these activities to improve interventions and accelerate impact.



School children participate in an SCBF-funded financial education campaign delivered by Ekphatthana Microfinance Institution (EMI) in Laos. Photo credit: EMI Laos.

Perspectives from new members: AXA and BASE

The [AXA Group](#) is a worldwide leader in insurance and asset management, serving 105 million clients in 54 countries. Their purpose is to act for human progress by protecting what matters and to empower people to live a better life by providing them the confidence of quality safety nets in case of adverse life events. [AXA Emerging Customers](#) was set up in 2016 to reach those who have been excluded from traditional insurance due to high cost, lack of access, understanding or trust, and expand AXA's footprint by providing tailored solutions for this vastly un(der) served low-income to mass market segment.

The [Basel Agency for Sustainable Energy \(BASE\)](#) is a Swiss foundation established in 2001 and a specialised partner of the United Nations Environment Programme. BASE develops innovative, actionable financial strategies and business models to unlock investment in climate change solutions. BASE builds bridges between sectors and actors at the nexus of climate solutions, finance and international development.

SCBF heard from the new members on what drove their decision to partner and how this collaboration can enable achieving common objectives.



Photo credit: AXA

“

Like AXA Emerging Customers, SCBF strives to enhance the quality of life for vulnerable people by supporting innovative financial solutions. Building resilience, boosting economic empowerment, and evaluating essential services to enrich the living standards of this segment are the main objectives of SCBF, which strongly resonate with our purpose. We are delighted to join because we believe it is one of the smart and agile public-private initiatives in the space, one that doesn't oppose the public and the private sector rationales but tries to bring the best of both worlds together, with the overarching ambition of contributing to sustainable development.

We are excited about innovating financial inclusion. There are a lot of exciting initiatives happening in the field and by combining public and private sector assets we have the opportunity to have a greater impact. For example, our upcoming collaboration to combine health insurance with money transfers to protect the migrant workers' families back home holds great promise, and we hope we can take it forward despite the current travel constraints.

EXCERPT FROM [INTERVIEW](#) WITH
GARANCE WATTEZ-RICHARD, CEO,
AXA EMERGING CUSTOMERS

“

BASE is a Swiss non-profit organisation that aims to mobilise investment and finance to address the challenges of climate change, especially in developing countries. We are aware that this challenge cannot be solved alone, it is necessary to coordinate efforts, generate alliances and seek solutions with organisations and entities that have a similar purpose and concern for sustainable development as BASE.

SCBF brings together organisations that work on very interesting initiatives and we are looking to generate synergies and learn from other projects, and link them to the objectives and initiatives that BASE is working on.

BASE, as a member of SCBF, has the opportunity to access a platform where we can connect with different leading organisations on different issues and regions. It will also allow us to access the resources required to support initiatives focused on addressing climate finance challenges in developing countries, which is our speciality.

We look forward to engaging with SCBF through various events and fora and developing projects to strengthen the capacity of our key partners and local financial institutions exploring innovative solutions to address climate change.

INSIGHTS FROM DANIEL MAGALLÓN,
MANAGING DIRECTOR, BASE



Child using solar-powered lamps. Photo credit: BASE.

Featured projects

Digitisation for increasing inclusion: Lessons from West Africa

Over the last decade, financial inclusion has been a key priority for the [West African Economic and Monetary Union](#) (Union Economique et Monétaire Ouest Africaine, UEMOA). A [dedicated strategy](#) was developed in 2016 with a goal to reach 75% financial inclusion by the end of 2021 (up from 47% in 2016).

With [46% of the population](#) connected to mobile services, Africa has already recorded [the highest number of mobile money accounts and services globally](#). Of the 562 million registered mobile money accounts in Africa, 35% are in West Africa. Thanks to these developments, financial inclusion in the region has steadily grown over the past ten years, [reaching 63.8% \(including mobile money\)](#) compared to an inclusion rate of 39.8% through financial institutions. Despite the expansion of affordable financial services at a regional-level, huge disparities exist within the eight UEMOA member states. For instance, where Benin and Togo (two very small-sized countries) present an inclusion rate above 80%, Niger is at 15% and Mali at 48.6%.

Many initiatives are being deployed to help boost the level and quality of financial inclusion in the region. In April 2020, the Central Bank of West African States (Banque Centrale des Etats de l'Afrique de l'Ouest, BCEAO) adopted a [regional financial literacy programme](#) that will be implemented through national programmes, which has already been adopted by Côte d'Ivoire and Burkina Faso.

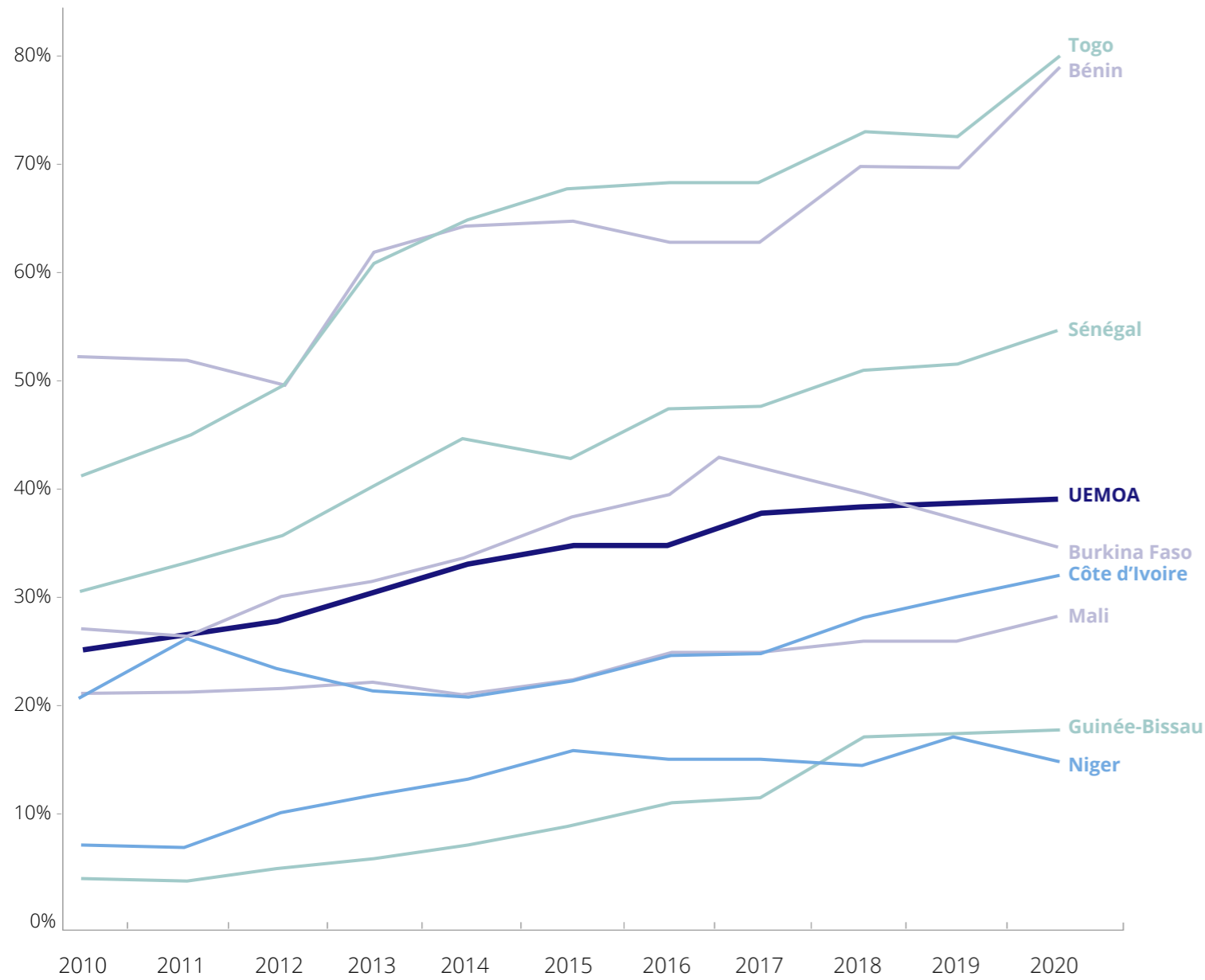
Additionally, to create an enabling environment for financial inclusion the BCEAO has launched many important initiatives. This includes ensuring interoperability of digital financial services, digitising government payments, sensitisation around credit bureaus, establishing a Fintech Committee and facilitating easy access to Unstructured Supplementary Service Data (USSD) codes.

The challenges: Main barriers for inclusive finance

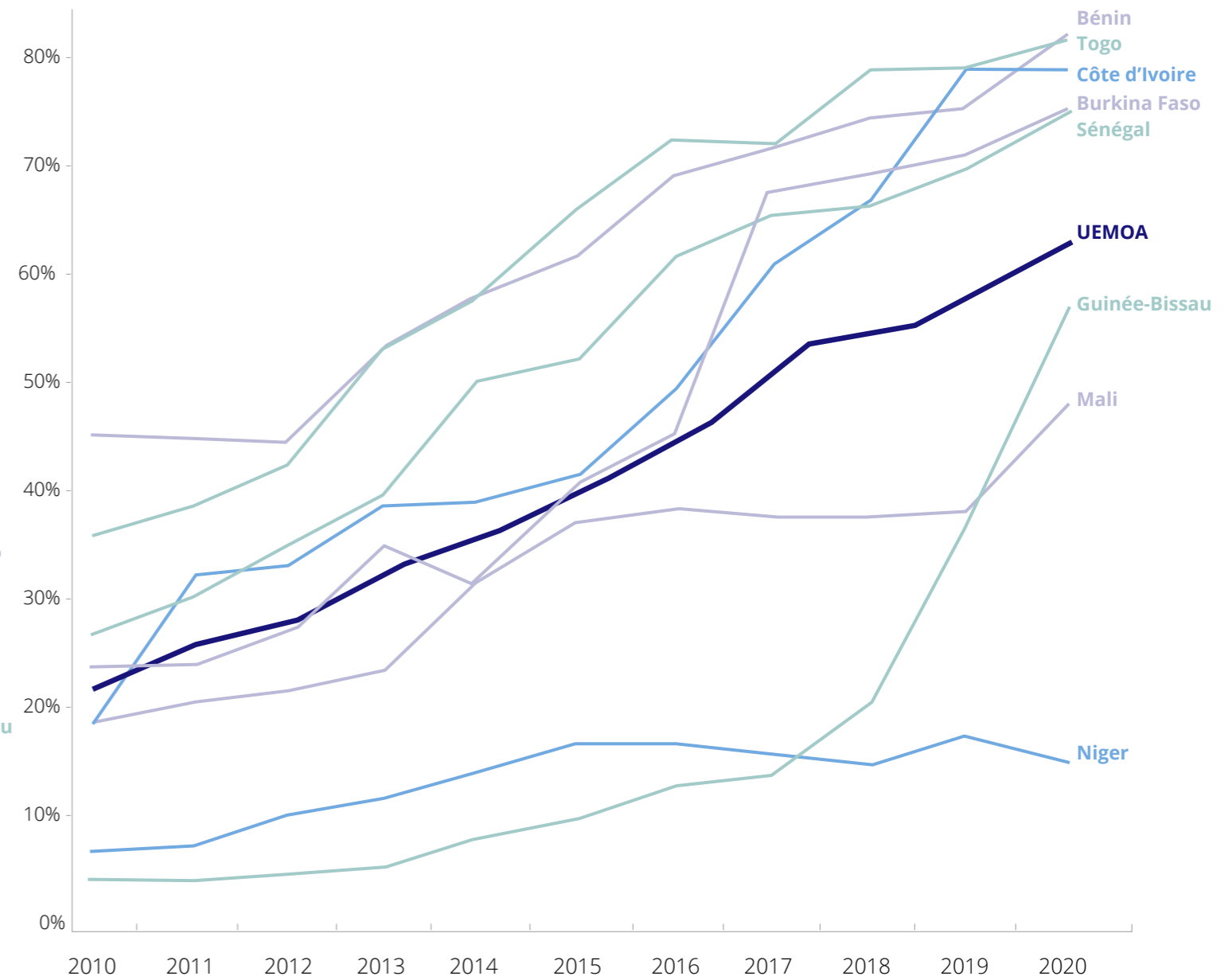
The long distances between rural and urban areas is a critical and longstanding barrier to financial inclusion in the region, especially in rural areas. This is compounded by the lack of basic infrastructure, such as electricity and roads. The multidimensional COVID-19 crisis also demonstrated how financial institutions' operations can be blocked for months, leading to high losses for both institutions and clients. Evidence indicates that the pandemic hit [non-digitised institutions harder than those that are digitised](#).



Evolution of the financial inclusion rate in West Africa, without mobile money



Evolution of the financial inclusion rate in West Africa, with mobile money



Data Source: BCEAO 2021



*Farmer is registered for OKO's mobile-enabled weather index-insurance in Mali.
Photo credit: OKO Mali.*

At the same time, the expansion of telecommunications infrastructure and mobile phone technology offer tremendous opportunities for addressing financial inclusion. Leveraging technology can not only enable streamlining operations but also improve people's access to affordable products and services. Technology could be the turning point needed to break barriers to financial inclusion, while minimising the impact of global crises such as the COVID-19 pandemic. In the current context, digitisation is not just a "nice-to-have" feature for financial service providers, it is a "must."

The solutions: How digitisation can enable inclusive finance for low-income clients

Recognising the challenges faced by financial service providers, especially in the context of COVID-19, and the potential of technology in overcoming them, SCBF focused on funding digitally-enabled projects in 2021. While all the 10 projects launched in 2021 have a digital component, projects in the West Africa portfolio in particular have deliberately put technology at their core.

1. Digitisation of savings mobilisation among women and young people in Bénin
2. Digitisation of products and services for low-income families in Togo
3. Automating selection of loan clients using a credit scoring application in Bénin

These three projects demonstrate diverse solutions to the financial inclusion problem and include a financial literacy component to not only support early adoption of the new services but also equip the end-clients with knowledge on how to address the general risks associated with digital financial services.

1. Digitisation of savings mobilisation among women and young people in Bénin

In Bénin, FECECAM (the largest MFI in Bénin) and Bénin Fintech, are partnering to scale-up a digitised basic savings product (based on the [rotating savings and credit associations](#) [ROSCAS] methodology) using smart cards, PoS (point-of-sale) devices and a web-based application linked to FECECAM's information management system. The clients are provided with smart cards loaded with their account information, which they use to record their daily transactions. Field agents are equipped with mobile-PoS devices to facilitate data collection. Building on the success of the improved savings collection process, FECECAM has added a credit service for clients interested in loans.

Replacing manual processes, such as filling in notebooks, improves efficiencies for both the clients and agents. Initial feedback surveys have revealed that clients enjoy the transparency and time-savings resulting from the new system, as well as easy access to additional services such as credit. On the other hand, field collection agents benefit from time gains, reduced data entry errors as well as improved efficiency. FECECAM is also considering an additional mobile money module to enable clients to transact through this channel.

Expected outreach:

- Digital savings: 50,000 clients
- Financial literacy: 13,200 clients

2. Digitisation of products and services for low-income families in Togo

Assilassimé Solidarité is a medium-sized MFI from Togo. With support from the SCBF grant, they are aiming to strengthen interconnectivity between their nine branches to enable clients to transact from a branch of their choice. Additionally, the project



*A loan agent from Assilassimé uses a PoS device to collect and record the savings payments from clients. Using this technology is enabling the financial institution to digitise data collection while mitigating the risk of errors or fraud.
Photo credit: Assilassimé Solidarité.*

plans to develop a “mobile agent” solution through which field agents can use mobile devices to record transactions and perform other important operations such as opening accounts or collecting deposits. The final project component includes building a “Bank-To-Wallet” and “Wallet-To-Bank” solution that allows clients to move money from their bank account to their mobile money wallet and vice versa. Assilassimé expects an incredible gain in efficiency from the project alongside increased client satisfaction and loyalty.

Expected outreach:

- Branch interconnectivity will benefit the entire customer-base of over 50,000 clients, and an additional new 16,262 clients
- Mobile agent services: 20,500 clients
- Bank-to-Wallet and Wallet-to-Bank: 8,000
- Financial literacy: 15,000

3. Automating selection of loan clients using a credit scoring application in Bénin

Alidé (a medium-sized MFI from Bénin), was the first MFI in francophone West Africa to implement an e-wallet solution. Building on the positive digitisation journey, Alidé will partner with *rubyx* (a Belgian fintech) to develop and implement a credit scoring system to automate and make loan processing more efficient for both the institution and its clients. With this new system, eligible loyal clients will no longer need to wait for weeks to renew their loans. Additionally, loan officers will no longer need to spend time in analysing and approving these loans. The new system would result in considerable time gains and efficiency, allowing Alidé to expand its business while retaining clients.

Expected outreach:

- Automatic renewal of loans will benefit 12,000 clients
- Financial literacy: 10,000 clients

Determinants of successful digitisation

While the three projects are still in the early stages of implementation, they serve as a reminder that many of the factors necessary for successful digitisation identified in the past decade are applicable even today. SCBF has captured some of these below with the hope that they can guide others wishing to embark on a similar journey.

1. Digitisation improves efficiency and scale.

There is no doubt financial service providers are attracted by digitisation because of the promise of increased efficiency, which translates into improved business and enhanced profits. During an initial pilot, FECECAM reported a huge gain in the efficiency of field staff when the institution moved away from the analog version of the product. The rate of errors in recording transactions have also significantly decreased since adopting the digital solution.

2. Digitisation takes more time than planned to take off.

Even well-planned projects can have delays. Digitisation projects are even more prone to delays as they rely on partnerships with external technology providers (which are outside the direct control of the financial institution) and generally require testing multiple iterations of the product before it can be implemented at scale. SCBF observed some delays in all three projects, for instance, the time required to contract technology service providers necessitating significant shifts in project timelines. Factoring for and allocating appropriate buffers for these during the project planning stage can help mitigate major delays after kick-off.

3. Financial education is key to success.

The success of any digital technology depends to some extent on the early adoption and continued use of these new services. Financial education is, therefore, critical for improving adoption as well as promoting continued usage. Even if all factors are equal, a digitisation project without any financial literacy module is less likely to succeed. This is why the projects SCBF has co-funded are required to have a financial literacy component.

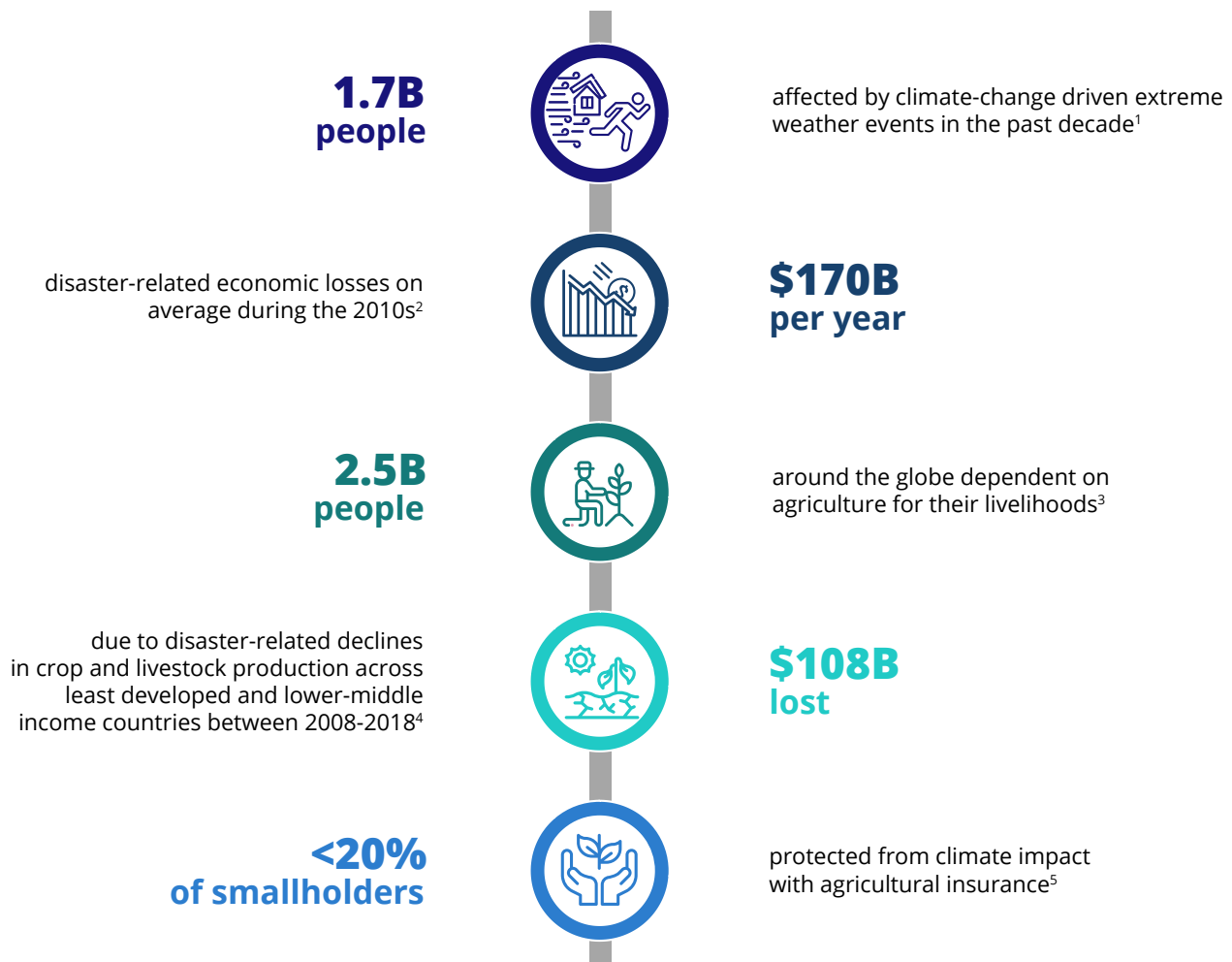
4. Up-front investment is relatively significant.

Even though the benefits of digitisation outweigh the risks, it requires a high amount of up-front investment. This can dissuade smaller institutions that do not have the necessary financial resources. Both of the medium-sized institutions in SCBF's portfolio have benefited from external funding support (from development agencies like ADA Luxembourg) to kick-start their digitisation journey.



Clients try Assilassimé's mobile banking solution.
Photo credit: Assilassimé Solidarité.

Index insurance: Helping smallholder farmers manage climate risk



Setting the scene: Scale of the challenge

The global climate crises will push a significant number of people into poverty by 2030 if no action is taken. A large portion of these will be smallholder farmers. In Africa alone, agriculture represents 21 percent of total GDP on average, and smallholder farms provide income for more than half a billion Africans. Yet, as climate change increases the frequency and severity of extreme weather events including drought and flooding, these smallholder farms will be disproportionately impacted due to their systematic lack of adequate access to inputs, markets, and financial services, including credit and insurance.

Agriculture insurance, the global market for which is estimated at USD 30 billion, plays a key role in helping farmers mitigate risk and adapt to climate change.

However, there are complex challenges with delivering agriculture insurance to smallholder farmers. Most agricultural insurance is indemnity-based, i.e., the insurer compensates a farmer for losses up to a certain limit. However, most indemnity-based insurance is prohibitively expensive to provide at scale to smallholder farmers, as individual farm visits are needed to assess losses and verify claims before a payout can be triggered. Index-based insurance, on the other hand, promises to drive down costs by insuring losses based on a proxy indicator which is established in advance using historical data.

When that proxy indicator is reached – for example, a specific amount of rainfall in a certain area – all farms in an area receive a payout. This approach can reduce underwriting and claim assessment costs, thus providing hope for reaching smallholder farms through a cost-effective approach.

¹ World Disasters Report 2020, IFRC

² Ibid

³ Increasing the Resilience of Agricultural Livelihoods, FAO, 2016

⁴ The impact of disasters and crises on agriculture and food security, FAO, 2021

⁵ Agricultural insurance for smallholder farmers: Digital innovations for scale, GSMA, 2020



“

Ever since we got covered by the insurance, we have now upscaled the size of our farming. We are aiming to upscale even more now because we are insured. That was not the case before.

NICOLAS MATANHI
FARMER, ZIMBABWE

*Photo credit: Blue Marble
Microinsurance/Old Mutual Zimbabwe.*

Index-insurance, while promising, presents challenges of its own

1. Access to historical and high-quality data to develop accurate indices and minimise **basis risk** for both the insurer and the farmer are critical and not easy to obtain.
2. Extensive farmer education is needed to drive demand and ensure that payout triggers are well-understood.
3. Payouts will become more frequent as climate change drives more frequent and severe weather-related events, increasing risks and costs likely beyond farmers' ability and willingness to pay.

4. Subsidies, which make index insurance affordable today for farmers, will not be sustainable in the long-term due to more frequent and intense weather events.

Considering these challenges, the market for agricultural insurance for smallholder farmers is still underdeveloped, as product design, features, and pricing are being tested and adapted to meet the needs of all partners (farmers, insurers, reinsurers, governments, and aggregators, to name just a few). Recognising this, SCBF is working with partners in countries ranging from Colombia to Cambodia to Sudan to refine and scale index-based insurance that works in each context.

Solution in focus: Scaling tailored index-insurance in Zimbabwe

In 2021, SCBF worked with partners from one of these interventions, [Blue Marble Microinsurance](#) and [Old Mutual Zimbabwe](#), to gain initial insight into how index-insurance is being adapted to drive results for smallholder farmers. The quick and lean field research included interviews with ten farmers (women and men) as well as field agents and staff from both Blue Marble and Old Mutual. This research intended to provide quick insights as these partners continue to refine and scale the product. It also sets the stage for a robust, quantitative outcome study after the SCBF funding ends in 2022.

The new product, [Ruzhowa/Uthango](#), was launched in a year when the impacts of climate change became all too clear. The country, already prone to drought, experienced extreme rainfall in 2019, 2020, and 2021 through a [series of destructive cyclones and tropical storms](#).

Interviews clearly demonstrate that farmers no longer need to be convinced of the value of insurance: they are living the devastating climate impacts, and those that have experienced the benefits of insurance now see it as a required business cost going forward.

These interviews will inform the work of Blue Marble and Old Mutual to improve and expand this product in Zimbabwe and beyond, helping to fill the protection gap and ensure that farmers everywhere can thrive and support food security in the new reality of irreversible climate change.

Expected outreach:

- At least 10,000 farmers to be insured by the end of the project



Photo credit: Blue Marble Microinsurance/Old Mutual Zimbabwe.

“

Previously we farmed small portions. We did that without insurance but now with insurance we are upscaling because we feel safe to do so.

TRAINYS MUCHAGONA
FARMER, ZIMBABWE



“

We will keep buying the product because it helps us a lot, because it covers us a lot. It helps us forecast where we are likely to go, it helps us forecast our season through those allocated areas, advising us how things are.

NYARAI MAZWI
FARMER, ZIMBABWE

Scaling property insurance for low-income clients and MSMEs

Insurance, as a risk transfer mechanism, is an important component and enabler of financial inclusion. Protecting vulnerable people from insurable risks does not only improve their financial security, but also prevents them from being pushed into poverty in case of unforeseen emergencies that could drain the little savings they have. This is why deepening the reach and scale of insurance to build resilience is at the heart of SCBF.

Property insurance is one such tool. It can increase the resilience of households, communities and cities to cope in the face of increasing climate risks. Additionally, if leveraged to protect small businesses, which are the backbone of developing economies, it can boost economic growth as it sustains MSMEs' abilities to bounce back and continue working after shocks such as fire or flood.

This is why 2021 marked the first time that SCBF has invested in not one but two innovative micro-property insurance projects to reduce the protection gap for low-income clients and MSMEs. We spoke with **Siani Malama (SM)**, (former) Head of Inclusive Insurance at **APA Insurance**, and **Saurabh Sharma (SS)**, Director of Emerging Consumers at **Britam Holdings** – the two financial sector partners – to understand the scale of the challenge and how they seek to address it.

How big is the risk of loss of property to theft, fire, and other climate risks like flood in Kenya?

SM: Micro, small and medium enterprises remain extremely vulnerable against these risks, especially entities operating in the informal sector. The challenge at hand is large, as most MSMEs do not have formal risk mitigation strategies to cope when these events occur.



Mother and daughter playing. Photo credit: Habitat for Humanity International.

In Kenya, we continue to see fire outbreaks in most of the informal settlements (slums) and trading markets where MSMEs operate. The recent fire outbreak in November 2021 in [Gikomba Market](#), one of the main trading markets, resulted in millions of Kenyan Shillings worth of damage to goods and stock, contributing to the impoverishment of and unsustainable debt cycle for affected traders. The average household dependency in Kenya is 5 to 1, when millions of shillings are lost in fire outbreaks or flood damage, the lack of formal risk mitigation strategies perpetuates the vicious cycle of poverty.

SS: Around 10-14% of the low-income households have reported to suffer property damage due to fire, theft, and climate change related events. For example, floods impact 75,000 Kenyan households and their dwellings annually on an average. Expectedly, such events have the worst impact on the poorest of the households.

What informal means do poor households and MSMEs use to manage these risks?

SS: Poor households either rely on their friends and families, or resort to negative coping strategies such as selling productive assets like livestock to recover from these losses. Because events like fire or flood affect everyone in a neighbourhood or a village, such informal means prove to be inadequate to manage risks.

SM: Additionally, some of them use informal strategies to manage their risks through welfare groups such as 'chamas' or 'SACCOs' (savings and credit cooperative organisations). These groups allow one to access short-term loans, and also use the group as a savings vehicle. This is a result of the low bank account ownership within the low-income segment due to a lack of documents required for KYC (such as proof of the residential address), which indirectly creates a market for expensive mobile money lenders with whom consumers can easily access credit.



Vendor in a trading market in Nairobi, Kenya. Photo credit: Ninara/Flickr



Focus group discussion led by APA Insurance to test the ResilientMe game with potential insurance clients. Photo credit: APA Insurance.

How can property insurance improve the lives of low-income Kenyans and contribute to their improved resilience and financial inclusion?

SS: Having a house or a shelter is a basic human right, and essential for leading a safe and dignified life. Property insurance can protect the poor against debilitating losses caused by damage to their houses and belongings. It can help them to bounce back to normalcy faster and to continue with their livelihood activities without fear of or the potential to spiral down into poverty. In short, property insurance could be the resource required to enable low-income clients to lead dignified lives.

SM: In the unfortunate event of a disaster, such as fire or flood, insurance payouts can be utilised to re-build, instead of expensive informal loans or borrowing from friends or family. The low premiums paid for such covers can help consumers know and plan for the exact costs and not worry about drawing from their savings to cope with emergencies. This also ensures business continuity at a micro-level, which contributes to poverty reduction.

Could you give an overview of the property insurance landscape in Kenya – are there many similar products in the market? What are the key bottlenecks preventing low-income clients from taking up these products?

SS: The property insurance market in Kenya is under-developed with very few products targeted at low-income clients. This is a key bottleneck from the supply-side (insurers), while lack of awareness and understanding about the products and the benefits, and how to access them has affected the demand-side (clients).



Photo credit: APA Insurance.

SM: Microbusiness owners, specifically those in informal settlements in Kenya, often use their homes to conduct businesses or store stocks. The few available insurance solutions are either too expensive or offer little value as they mainly cater to larger enterprises or corporates. Some other bottlenecks include:

- Consumers see little value in insurance or have more trust in informal/community-based coping mechanisms rather than insurance companies; and
- Ineffective or costly distribution channels that are not aligned with insurers.

What innovations will you leverage to make property insurance more accessible and affordable through this project with SCBF?

SS: Britam is already working with digital platforms that provide services like cooking gas and household goods to make simple property insurance products easily available to a larger share of the population. Through this project, we want to re-think insurance distribution channels – how can we meet customers at their place and pace?

SM: The partnership with SCBF is enabling APA to reengineer our strategy in delivering property insurance to MSMEs and low-income households. This includes leveraging human-centred design,



Siani Malama is currently Director for Sub-Saharan Africa Region, at Democrance, an insurtech focused on enabling digital insurance distribution in emerging markets and across the globe.

He has 10+ years of insurance experience, having worked in South Africa, Zambia and Kenya. In his previous role at APA Insurance as Head of Inclusive Insurance, he was responsible for leading the inclusive insurance business division's strategy design and implementation. He is passionate about enabling emerging consumers to access innovative solutions, through human-centred design, and ensuring customer centricity at the core of product design and distribution.

gamification to increase consumer education and awareness, going “phy-gital” by using a combination of digital and in-person customer touch-points, and investing in claims payout celebrations or reward strategies to showcase the value of insurance.

Globally, the protection gap in property microinsurance for low-income households and MSMEs is still large. Based on the project activities so far, what is one key insight or lesson you would share with other financial institutions to motivate them to join you in investing to close this gap?

SM: Addressing the protection gap will require huge investments and commitment. We have seen the devastating impact of COVID-19 on low-income clients, and it is only becoming more compounded with increasing climate risks. What we have learnt so far is that we need to focus on the customer and design strategies that address their pain points. Additionally, we need urgent and intense collaboration between the private and public sectors, supported by development partners, to succeed in the huge task ahead of us.

SS: Keeping a long-term view is very important to address the protection gap. Financial institutions are sometimes wary of serving these segments as the initial outreach is difficult and products are likely to be unprofitable early on. But we have learnt that patience is key, as with time and growth in customer numbers, the business case improves a lot.



Saurabh Sharma is passionate about using insurance to protect vulnerable communities in the Global South against the multiple risks one can face during their lifetime. He has more than a decade

of experience in the inclusive insurance space in East Africa and South Asia. Currently, Saurabh serves as the Director, Emerging Consumers, at Britam, one of the largest insurance groups and inclusive insurance providers in East Africa.



Photo credit: Advans Tunisie.

Governance

Strategic outlook: Reflecting on 2021 and looking beyond

2021 marked the launch of a new phase for SCBF, with a focus on laying the groundwork for the next decade with the strategic pivot and business model evolution which aims to increase the impact, reinforce the relevance, and enhance the sustainability of the SCBF platform. This entailed bilateral consultations, as a lead up to the 10th anniversary event, as well as intensive engagement with members, donors, and potential partners towards:

- Articulating SCBF's high-level vision for 2030 of advancing customer-centric services, channels and products for inclusive finance;

- Defining new priority areas, such as enabling emerging companies to traverse the Pioneer Gap, to complement SCBF's core business of technical assistance grant funding; and
- Outlining potential funding mechanisms to operationalise the new strategy and refined business model, as well as ramping up SCBF's resource mobilisation efforts to diversify its donor-base.

A key outcome of this exercise was the validation of SCBF's value proposition as a unique public-private partnership model for financial inclusion, as well as reaffirming stakeholders' commitment for strengthened engagement and collaboration.

In 2022, SCBF will engage strategy experts to continue building on the groundwork laid last year by enhancing the strategy, validating its operational feasibility, and testing the emerging business model.

SCBF team

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Nasser Bakr Alkahtani

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SCBF Secretariat



Sitara Merchant

Chief Executive Officer



Dana Ellis

Senior Operations Manager



Chrissy Martin Meier

Learning and Insights Manager



Boubacar Diallo

Financial Inclusion/ Education Specialist West Africa



Rudhayaini Mukane

Operations Officer

Organisational updates

Welcoming to the team

Chrissy Martin Meier

joined as the Learning and Insights Manager in early 2021. She has over 10 years of experience in inclusive digital financial services, with organisations such as the World Bank, CGAP, Accion and USAID. Chrissy brings with her a broad range of skills and knowledge on integrating digital solutions into agriculture, humanitarian response and resilience programmes.

Rudhayaini (Rudy) Mukane

joined SCBF as the Operations Officer in August 2021. She has diverse experiences in analysis, communication, strategy development and programme management gained through experiences with the UN, non-profits and social impact start-ups. Prior to joining SCBF, Rudy worked as Strategic Analyst with the World Food Programme's Nutrition division.

Bidding farewell

On behalf of the entire team and SCBF family, the Secretariat would like to thank Dirk Stingelin (Financial Administrator and Controller, 2020-2021), Klaus Maurer (Independent Board Member, 2019-2021), Marco Vögeli (Operations Officer, 2020-2021) and Oliana Stojko (Finance Manager, 2021-2022) for their support, guidance and hard work over the past two years. SCBF wishes them the best as they embark on their new adventures.

Annexes

- [List of projects launched in 2021](#)
- [Raw data: breakdown of outreach by product type since inception](#)
- [Raw data: breakdown of outreach by product type in 2021](#)
- [Financial statement](#)

Acronyms

AGFUND	Arab Gulf Programme for Development
BASE	Basel Agency for Sustainable Energy
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest/ Central Bank of West African States
CHF	Swiss Franc
DFS	Digital Financial Services
FE	Financial education
FEW	Financial Education Window
FSP	Financial Sector Partners
FSW	Feasibility Study Window
HIE	High Impact Enterprise
ILO	International Labor Organization
LDC	Least Developed Country
MENA	Middle East and North Africa
MFI	Microfinance Institution
MSMEs	Micro, Small and Medium Enterprises
PoS	Point-of-Sale
PUW	Product Up-scaling and Innovation Window
ROSCAs	Rotating Savings and Credit Associations
SACCO	Savings and Credit Cooperative Organisation



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