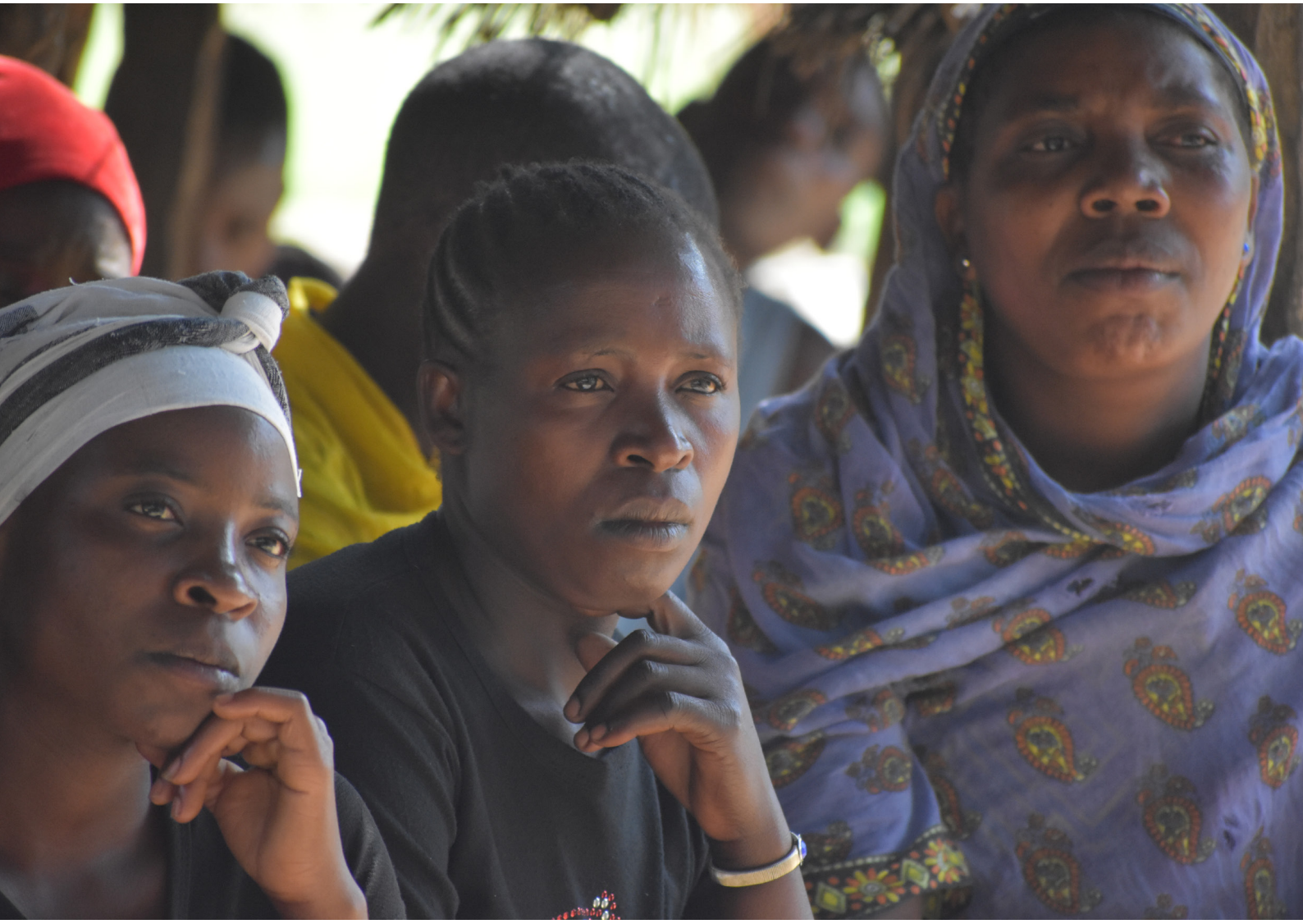


Strategy 2020-2024

SCBF

SWISS CAPACITY BUILDING FACILITY

Innovating Financial Inclusion

WHY FINANCIAL INCLUSION MATTERS TODAY?

Powerful global forces are affecting all aspects of society creating opportunities and risks for poor people and significantly influencing the financial services industry. On the demand side, today 1.7 billion people still have no access to basic financial products and services. About 56% of all unbanked are women and a disproportionate share are poor. At the same time, approximately 65 million or 40% of the micro, small and medium-sized enterprises (MSMEs) in developing countries, the engines of economic development have unmet financing needs. On the supply side, diverse actors, with the use of technology, are having a powerful effect on innovation and disaggregation of the financial services' value chain.

Access and use of client centric financial products, channels and services (FPCSs) is a key bottleneck for poor people, notably women, farmers, microenterprises and small- and medium enterprises, to expand their engagements in markets as producers, labourers, and consumers. Numerous studies have demonstrated that financial inclusion has a measurable impact on poverty. Financial inclusion significantly improves poor peoples' resilience to shocks reducing the chances that they fall deeper into poverty. It also enables them to meet essential needs and access services including nutritious food, housing, education, better health, clean/renewable energy, clean water and more.

SWISS CAPACITY BUILDING FACILITY (SCBF)

SCBF is a public-private development partnership (PPDP) that funds technical assistance (TA) for partner financial institutions (PFIs) to develop and upscale client-centred financial products, channels and services in developing and emerging countries. The financial products and services include savings, loans, insurance, digital financial services, or financial education, among others.

As an PPDP SCBF takes a platform and portfolio approach rather than implementing individual projects. The platform is where its members; public and private from the financial inclusion value chain / ecosystem meet to discuss and propose solutions to benefit its end clients that can be tried and tested using grant funding. The PPDP approach combines complementary Swiss expertise and resources in microfinance and microinsurance, Swiss social investors, and SDC. All with a view to optimise the Swiss contribution to "Financial Inclusion" as the overall Financial Sector Development (FSD) goal of SDC, the international donor community, the G20, and Swiss and international social investors.

For the past nine years SCBF has strategically built its member base and partners that have proposed innovation in financial inclusion. Innovation for SCBF includes:

- Addressing a problem in a 'new' way;
- Innovation for a market, i.e. introducing digital for rural outreach;
- Reaching a particularly hard to reach target group;
- New business model, delivery channel or product (which allow clients to access better, easier, less expensive);
- New partnership model;
- Local, commercial solution;
- Replication of a tested approach in a new context;
- Non-traditional type of PFI insurtech / fintech;
- Financing model: how private sector capital is leveraged / how SCBF grant to PFI helped innovate on investments.

SCBF is also unique in its ability to leverage private sector support across the project cycle which starts with identifying sustainable projects to generate learnings and inject them in other initiatives. Lessons learnt and good / best practices are shared for replication and scaling in other contexts and to advance the Swiss agenda to promote financial inclusion in developing and emerging economies. As SCBF has now reached a critical mass of projects it is focusing more on knowledge management / sharing lessons learned from its projects.

Goals and Objectives

SCBF's goal at an impact level is ***to improve the quality of life of low-income and vulnerable households, smallholder farmers and MSMEs, with a focus on female and rural clients.*** This improved quality of life is generated by three principle impact objectives:

1

Building Resilience to Protect Living Standards

Access to savings and insurance products build resilience to better respond to the negative effects of adverse weather events, catastrophes, death / illness of the breadwinner or of conflict.

2

Increasing Income and Assets Building for Economic Empowerment

Tailored loan, leasing and insurance products, enable end-clients to invest in productive activities, increase income through increased access to markets, create employment opportunities and build assets.

3

Accessing Essential Services to Improve Current / Future Generations' Living Standards

Adequate payment services and channels, enable access to electricity, clean water, sanitation, education and health care on affordable and predictable terms.

SCBF's Uniqueness

Since 2011, SCBF has built a strong standing in the financial inclusion community, based on:

- ***Public-Private Development Partnership (PPDP)*** – SCBF is a PPDP and consist of 21 public and private Swiss members. The 20 private sector members range from insurance industry titans to fintech start-ups and impact investors, with operations spanning the globe. The SCBF member from the public sector, the Swiss Agency for Development and Cooperation (SDC), contributes expertise from across its thematic and regional divisions and provides SCBF's core funding.
- ***Network*** – SCBF has a global network of over 91 Partner Financial Institutions (PFIs), over 36 Technical Assistance (TA) providers, 21 public and private Swiss members, and is part of the investor circle of MIX Market Inclusive Fintech 50.
- ***Member expertise*** – SCBF is a unique repository of knowledge in financial inclusion, financial sector development and microfinance. Much of this knowledge is contributed by its partners and 21 members. The membership pools the financial expertise and resources of the Swiss private and public sectors. SCBF uses its members' expertise to originate projects and ensure project success in assessing and monitoring projects thereby keeping SCBF's admin costs low.
- ***Sourcing innovative grant projects*** - SCBF is able to source innovative projects due to its unique member base. For example, it has funded innovative premium financing mechanisms, index based agricultural insurance and area yield insurance.
- ***Funding multiplier*** – achieving more with less. One of SCBF's core principles is to leverage donor funding to create a multiplier effect and contribute to Sustainable Development Goal (SDGs) 17.
- ***Outreach*** – SCBF has over 130 projects, worked in 43 countries, reached +2.1 million low-income clients plus +400'000 low-income clients educated on financials, 59% were women clients and 55% lived in rural areas.
- ***Reporting*** – Many organisations struggle with reporting on their grants both in terms of costs and content of what it tracks and reports. SCBF has the infrastructure in place to provide project level reporting against the core project indicators for the project duration and for up to three-year post project. As part of this SCBF has defined how projects contribute to the UN Sustainable Development Goal (SDGs) indicators and can provide reporting on the relevant SDGs for each of the projects.

Outreach and Impact 2011-2019

Since inception to end of 2019, SCBF, with the support of SDC funding, has funded 129 projects and 3 outcome studies across 42 countries, a total of CHF 13.8 million. Of the 129 projects, 91 were for product up-scaling, 18 were for feasibility studies, and 20 were for financial education campaign. 36 unique TA providers delivered capacity building support to 91 unique PFIs, with some PFIs receiving multiple support.

Sustainable Development Goals (SDGs)

Direct Contributions

Provided access to basic financial services to **over 2.1 million low-income clients**.

Over 400'000 MSME's received a loan or a credit line.

Provided financial education to over **433'000 low-income clients and staff**.

Low-income clients received or paid remittances of **over CHF 850'000.**

Over 186'000 low-income clients gained access to a mobile-money-service provider.

Committed **CHF 22.7 million** in technical assistance in developing countries.

Indirect Contributions

Project Example

Al Amana (PFI) introduced in Morocco a comprehensive health microinsurance product with their loan. Borrowers received an ambulance service for health emergencies, and a lump sum depending on the disease treated. For events such as, death or childbirth, clients received a fixed amount. After roll-out, product usage by clients remained extremely low putting in question the client value of the hospital benefits in the product. Low usage of formal financial services and a particularly low rate of insurance take-up is a common challenge face by the sector. Women's World Banking provided TA to redesign the product and improve product marketing and outreach which resulted in a stronger level of awareness and understanding of product. Product uptake and usage increased significantly. Clients reported that the product helped reduce the negative impact of illness on household well-being. Here are is a testimonial from Al Aman client:

Rkia is a fifty-year-old client of Al Amana. She lives in Kenitra, with her adopted daughter. Her husband passed away a few years ago, so Rkia makes a living through embroidery and sewing. Rkia discovered that she was suffering from diabetes. Diabetes had affected her eyes; she was not able to work effectively and needed surgery. She had the surgery done but had forgotten about her insurance. Her daughter reminded her to file a claim with Al Amana. After all the papers were submitted, Al Amana paid the claim in the amount of MAD 2'500 within one week. "The procedure is good. They paid me a week later. They were polite on phone."

STRATEGY 2020-2024

TA assistance grants are even more relevant now than ever before, with the new technological innovations in the financial services' value chain combined with the 1.7 billion people globally who are still unbanked and many more who are underbanked. The SCBF's intervention strategy is to give grant funding to TA providers to work with PFIs to develop, pilot, assess effectiveness, replicate and scale innovative affordable client centric FPCSs with the end goal of increasing access and usage to SCBF's target end clients.

The vision is for SCBF is to be a renowned TA provider that funds innovative projects and contribute to knowledge and lessons learned that it will share with its members, partners and the financial inclusion sector more broadly. To achieve this, it plans to secure multiyear funding from other donors, as well as SDC.

Evolve Business Model

Background

To evolve SCBF's business model it must understand how it has and how it can best contribute in the financial inclusion space by conducting a review of its business model and test new approaches.

SCBF's Proposed Work

- *Retrospective review (2020)* - Conduct an overall assessment of SCBF's business model in context of financial inclusion space and use the recommendations to inform SCBF's strategy for the next four years.
- *Test new approaches* - Use the opportunity to test new innovative approaches to accelerate impact. For example, catalytic grant funding facility to test disruptive new ideas, pay for results to local enterprises instead of large organisations, or member collaborations to mobilise debt and equity investments after project completion.

Grant Funding Windows

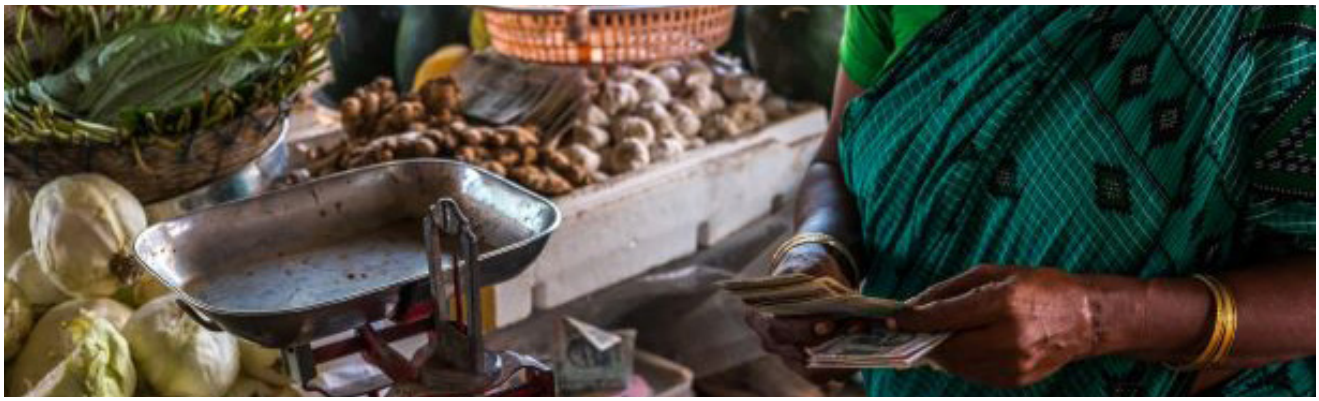
Background

SCBF for Phase III proposes to have four grant funding windows that reflect market needs and dynamics needed to develop, pilot, assess effectiveness, replicate and scale innovative and client centric FPCSs to reach the SCBF's TEC. The first three are the same as what SCBF has had for previous phases with a name change for the product upscaling window and a new window is being proposed.

SCBF's Proposed Work

1. The **"feasibility study window" (FSW)** co-funds in exceptional cases the preparation of feasibility studies and dry runs that are pre-conditions for i) introducing insurance and other new FPCSs and ii) supporting existing financial institutions, FinTechs and InsurTechs. The FSW helps preparing the groundwork for developing subsequent proposals for the Product Upscaling and Innovation Window (PUIW).
2. The "product upscaling window" (PUW) of phase 2 will be renamed to **"product upscaling and innovation window" (PUIW)** to better reflect projects funded. Project proposals co-funded through this window fund TA to develop, pilot, assess effectiveness, replicate and scale innovative and client-centric FPCSs to reach the SCBF's TEC. The PFIs supported will be assisted in overcoming prioritised constraints that have hampered them in up-scaling or using innovative approaches that lower cost, increase outreach, leverage technology and data in a sustainable manner. SCBF can fund, in certain cases (including for FinTechs and InsurTechs), the PFI directly, for example when paying for specific results (like reaching specific SCBF's TECs) and or provision of catalytic funding to attract private sector investors.

3. The **"financial education window" (FEW)** co-funds financial education for SCBF's TECs and TA for MSMEs (particularly female led businesses) campaigns that are essential before or at the same time FPCSs can be introduced by a PFI. The FEW grants must be linked to a financial product, channel or services and in principle will not be approved as a standalone as client education, in most contexts as a standalone activity, has proven to be ineffective in increasing access and usage of financial services.
4. The **"catastrophic events window" (CEW)** is the new window that SCBF is proposing. It will allow SCBF to respond and be at the forefront of knowledge on how SCBF's TECs are being affected by global and in some cases localised catastrophic events and on strategies to recover from them or weather them better in the future. These include pandemics like Covid 19, the locust invasion in Africa that farmers are facing, floods and other natural or manmade disasters. This window potentially allows donor with other interests to fund SCBF.



Project Impact / Outreach

Background

Financial inclusion, the core objective and rationale of the SCBF, is not an end in itself but rather a means to the end. Development organizations, donors but also social and impact investors look beyond financial inclusion to the Sustainable Development Goals (SDGs). The SCBF can significantly enhance its relevance in the eyes of potential funders who ask demand outcome and impact and ask the question: financial inclusion for what? The SCBF should focus and present its interventions in financial inclusion as contributions to higher goals. The SCBF project portfolio contains a wealth of exemplary interventions which can be related to different SDGs.

SCBF's Proposed Work

- Increasing lasting access for SCBF's target end beneficiaries (TECs) to formal client-oriented financial services offered responsibly. At least 1'00'000 (by the end of 2024) low-income and vulnerable households, smallholder farmers and MSMEs newly use a formal financial service or product within three years of completion of the TA provision. 66% of end-clients shall be women or women-led enterprises.
- Increasing responsible outreach by partner financial institutions to TEC on a sustainable basis. At least 45 (30 new) partner financial institutions improve their client-oriented offer by introducing new financial products, services and/or delivery channels to meet the financial needs of low-income and vulnerable households, smallholder farmers and MSMEs.
- Increasing effectiveness through additional investment funds leveraged. 10 partner financial institutions raise (referred to as leveraging debt and equity finance) an additional CHF 1.5 million from impact investors as a direct or indirect consequence of the TA funding they receive.
- Updating the measurement and reporting framework, including SDGs, to align with the global development agenda.

Lessons Learnt and Knowledge Sharing

Background

SCBF is the best kept secret in town while the projects it has funded are impressive.

SCBF's Proposed Work

- *Co-create learning events* - Co-create events (e.g. workshops) with international organisations and networks that could be held regionally to compile, publish and disseminate learnings.
- *Engage members and partners* - Include Swiss impact investors, partner financial institutions (PFI) and technical assistance providers (TA) to raise awareness, share lessons learnt and create / disseminate knowledge products.
- *Sponsor events and publications* - Increase SCBF's credibility, improve the public image, and build prestige to become a renowned TA funder of innovative financial inclusion projects.

Crowding in Like-Minded Donors

Background

Exploring new strategic alliances, diversifying its funding base and identifying new fields of innovation where the SCBF can keep pushing the envelope. The goal is that SCBF raises CHF 2.8 million core funding from new funders / donors.

SCBF's Proposed Work

The fundraising focus will be to:

- Seek multi-year funding from its "corporate members" as was the case in the past. One of the corporate members has expressed interest but would only commit if other corporate members contribute as well.
- Partner with other large Swiss corporations on projects of mutual interest and mission aligned in the financial inclusion space e.g. IKEA Foundation, Nestle.
- Work with SDC to develop and approach potential donors that are aligned with SCBF's objectives.
- Non-Swiss organisations like Visa Foundation and others will be considered.

A fundraising group consisting of members will be established to make this happen in collaboration with SDC and the Board. There has been discussion on whether to hire a resource mobilisation staff member to lead this work. A final decision on whether to hire someone will be made in within the first two years of phase III.

Photo Credit: Acre Africa, Women's World Banking (Alice Dufour-Feronce), Pau Casals