International Labour Organization

iTrack Evaluation

ILO EVALUATION

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This evaluation has been conducted according to ILO's evaluation policies and procedures. It has not been professionally edited but has undergone quality control by the ILO Evaluation Office

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List of Acronyms

AO	Account Officer
ASBANDA	Association of *Bank Pembangunan Daerah* (BPDs)
BAIK	*Baytul Ikhtiar*
BDSs	Business Development Services
BMT	*Baitul Maal wat Tamwil*
BPD	*Bank Pembangunan Daerah* (Regional Development Bank)
BPR	*Bank Perkreditan Rakyat* (People's Credit Bank / Rural Bank)
CAS	Client Assessment Surveys
CMEA	Coordinating of Economic Affairs
DAC	Development Assistance Committee
DWCP	Decent Work Country Programme
EOI	Expression of Interest
F&B	Food & Beverages
FE	Final Evaluation
Fintech	Financial Technology
FSPs	Financial Service Providers
GDP	Gross Domestic Product
IFC	International Finance Corporation
ILO	International Labour Organization
KSP	*Koperasi Simpan Pinjam* (Savings and Credit Cooperative)
KSPPS	*Koperasi Simpan Pinjam dan Pembiayaan Syariah* (Savings-Credit and Financing Sharia Cooperative)
KUR	*Kredit Usaha Rakyat* (Working Capital Loan)
KYC	Know Your Customer
MMW	Making Microfinance Work
MoCSME	Ministry of Cooperative, Small and Medium Enterprise
MoF	Ministry of Finance
MoM	Ministry of Manpower
MP3EI	Master of Plan for the Acceleration and Expansion of Economic Development of Indonesia
MSE	Micro and Small Enterprise
MSME	Micro, Small and Medium Enterprise
MTR	Mid-Term Review
NFS	Non-Financial Service
OJK	*Otoritas Jasa Keuangan* (Financial Services Authority)
PAC	Province level Advisory Committees

PELWIRA	*Pelatihan Kewirausahaan* (Entrepreneurship Training)
PERBARINDO	*Perhimpunan Bank Perkreditan Rakyat Indonesia* (Indonesia Rural Bank Association)
PFSP	Partner Financial Services Providers
PLUT-KUMKM	*Pusat Layanan Usaha Terpadu Koperasi Usaha Mikro Kecil dan Menengah* / Integrated Business Services Centres for Co-operatives and SMEs
PROMISE IMPACT	Promoting Micro and Small Enterprises through Improved Entrepreneurs' Access to Financial Services
PSC	Project Steering Committee
RCT	Randomised Control Trial
SAFIRA	Strengthening Agricultural Finance in Rural Areas
SBFIC	The Savings Banks Foundation for International Cooperation
SECO	Swiss State Secretariat for Economic Affairs
SIYB	Start and Improve Your Business
SME	Small Medium Enterprise
SNKI	*Strategi Nasional Keuangan Inklusi* (National Strategy for Financial Inclusion)
SOP	Standard Operating Process
SPM	Social Performance Management
SRO	Self-Regulating Organization
T&G	Textile and Garment
TA	Technical Assistance
ToR	Terms of Reference
ToT	Training of Trainers
TPKAD	*Tim Percepatan Akses Keuangan Daerah* (Regional Finance Access Acceleration Team)
UMi	*Ultra Mikro* (Ultra Micro Credit)
USD	United States Dollar

1. Executive Summary

1.1. Background and Objective of Evaluation

The Project "Promoting Micro and Small Enterprises through Improved Entrepreneurs' Access to Financial Services" [PROMISE IMPACT] contributed to the International Labour Organization (ILO) Decent Work Country Programme (DWCP) for Indonesia. The Project, originally designed for 3 years, with an official start in August 2015, ended with a no-cost time extension on 31 December 2019.

The objective of the Final Evaluation (FE) was to evaluate the end-of-the-Project's achievements against its development objective and its 3 specific outcomes, and to promote accountability and learning for a possible next phase. The evaluation covered the Project's various components - outcomes, outputs and activities as reflected in the project document.

1.2. Relevance and strategic fit

The Project was aligned with national plans, priorities and as such highly relevant. The Project strategically linked with the developmental priorities of the national government. Micro and Small Enterprises (MSEs) dominate the private sector in Indonesia in terms of numbers and jobs created. In 2013 MSEs accounted for more than 99.9% of the total enterprises and for 93.6% of the private sector workforce[1]. Despite the importance of MSEs to the economy, banks' financing to MSEs stood at 18.3% of their portfolio only in 2014[2]. This reflects the huge gap between the MSEs' major role in the economy, and the support available for their development – in particular access to finance.

Within above context, the Project aimed to address the constraints on the demand and supply side. The Project also worked on regulatory issues to enable the development of a financially responsible inclusion of MSEs and other Clients through information dissemination on Social Performance Management (SPM) and integrating these within the national policies and regulatory framework. The Project worked with *Otoritas Jasa Keuangan* / Financial Services Authority (OJK) and the Association of *Bank Pembangunan Daerah* (ASBANDA) in developing MSEs through the *Bank Pembangunan Daerah* / Regional Development Bank (BPDs) transformation program and the *Bank Perkreditan Rakyat* / People's Credit Bank / Rural Bank (BPRs) transformation program.

The Project was also aligned with the Government of Indonesia's Master Plan for the Acceleration and Expansion of Economic Development of Indonesia (MP3EI). MP3EI targets MSEs and is now included in the current Government's long-term development plans.

The Project conducted 2 sector studies and the findings and recommendations from these studies were shared and discussed through policy dialogues with relevant government agencies. This helped OJK in fine-tuning policies for creating an enabling regulatory environment for MSE financing. The Project was quite effective in promoting SPM in the financial sector by strategically

[1] International Finance Corporation in collaboration with USAID, Market Research Study. (March 2016) *Women-owned SMEs in Indonesia: A Golden Opportunity for Local Financial Institutions*, retrieved from https://www.ifc.org/wps/wcm/connect/260f2097-e440-4599-91ec-e42d45cf3913/SME+Indonesia+Final_Eng.pdf?MOD=AJPERES&CVID=lj8qhPY
[2] Ibid.

engaging OJK – which is the most important stakeholder that promotes and regulates financial inclusion.

1.3. Validity of Design

The Project's objective was highly valid. When MSEs are offered better financial and non-financial services by FSPs, they will be able to improve their business performance. As such, the 3 formulated outcomes were relevant and valid.

Outcome 1: "**Supply of financial and non-financial services by FSPs are better aligned to the needs of MSEs in the pilot areas as a result of innovations and social performance management**".

This outcome assumed that FSPs offering financial and non-financial services as a bundled package will bring benefits to the MSEs. This outcome was valid in terms of contributing to the overall developmental goal of the project – which is aligned with the needs of MSEs in the national context and contributes to the sustainability of bundled products offered by the FSPs.

The target for this outcome was that 50% of the selected FSPs would prove the business case for bundled products. This target was found to be very ambitious given the short duration of the Project's support to FSPs with Non-Financial Services (NFS) – from 2 months to less than a year. Experiences indicate that it normally takes considerable time to institutionalize SPM or Non-Financial Services (NFS) within FSPs.

Client assessment surveys were a useful design feature and FSPs acknowledged that these surveys helped them to understand client needs. The evaluation found that most FSPs would like to have their financial products reviewed/developed. The Project design mainly focused on NFS. It would have been preferable if the Project design had also included the development of financial products. Given the limited budget and time, the Project's choice of of focussing on NFS was justified – as NFS directly impact clients in improving their businesses.

The choice of FSPs as partners in the Project originated from the goal of establishing responsible finance and is a valid design choice. Among the FSPs, the Project made the right choice of selecting BPRs, BPDs and credit cooperatives because of their better outreach to MSEs – compared to the outreach of commercial national banks. Not all FSPs were however equally well-placed to offer NFS. If the Project would have had more resources and more time, other types of of service providers could have been added, like business development training providers.

Outcome 2: "Enhanced productivity and greater access to services for targeted MSEs through customized interventions".

This outcome measured the productivity of MSEs as a result of the provided NFS (training and counselling). This outcome was very valid as ILO, the Swiss State Secretariat for Economic Affairs (SECO) and other stakeholders wanted to assess the effect and impact of the Project. Because of its limited duration, the Project was only able to demonstrate short-term benefits for MSEs. Despite time and budget constraints, the Project managed to achieve successes in terms of the adoption by clients of good practices such as business cash flows – which would be quite transformational for both the MSEs and the FSPs. Benefits such as improved business profitability take more time to materialize and could not be achieved yet.

The choice of training and counselling as MSE level interventions was an appropriate design choice. A lesson learned from the Project was that clients generally prefer training over counselling. Many FSPs however don't have the infrastructure or resources to provide training on a wider scale. In such cases, i.e. when FSPs are scaling up their services, counselling would still be the preferred option For such FSPs.

Outcome 3: "Access to socially responsible finance is integrated in the national policies and the regulatory framework"

This outcome aimed at supporting relevant agencies in advocating with the financial industry to adopt social performance policy guidelines and to track the social and economic impact of their services. Whereas this outcome was very ambitious – as it normally takes much longer for policymakers to adopt policy guidelines – it was very valid in terms of its contribution to sustainability and in terms of enabling a scaling up of the Project.

The national Project Steering Committee (PSC) and the Provincial Advisory Committee (PAC) provided useful coordination and operational support. The PSC also assisted the Project in scoping and scouting for partner FSPs. This facilitated the establishment of good working relationships with potential partners and a smooth implementation of the Project activities.

The Project produced biannual progress reports which were shared and discussed with the stakeholders. This ensured that Project activities were reported and risks and challenges were identified. It also facilitated decision making regarding the need for changes in Project implementation – based on the identified risks and challenges. Whereas the progress reports included progress against outputs, it would have been useful if more information would have been provided on progress against outcomes. An end-line impact evaluation – using a Randomised Control Trial (RCT) – was included in the desing and this trial provided useful insights into the impact of the Project. Thus, both the progress reports and RCT survey were important design features.

1.4. Project Results and Effectiveness

Outcome 1, aligning financial and non-financial services by FSPs to the needs of MSEs, was achieved. 13 FSPs offered NFS, compared to a target indicator of 10. From the 13 FSPs, 8 agreed to incorporate non-financial services in their product suite. The target indicator of 50% FSPs adopting SPM was also surpassed.

Another target indicator under outcome 1 was to build a business case for integrated financial and non-financial services. A full cost-recovery of non-financial services was not possible because of the limited duration of the Project. The strategic and longer-term commercial benefits of offering bundled services was recognized by 8 FSPs and is reflected in their commitment to offer such services. Other FSP partners did either not see immediate such benefits or had other business priorities. However, all FSP partners agreed to have benefitted from the Project in terms of having gained a better understanding of their clients, improved loan sizes and better repayment rates.

Outcome 2 related to the provision of innovative services by FSP to MSEs and aimed at the adaptation of improved better business practices – which would lead to increased outputs and productivity. The randomized selection of MSEs under this outcome, proved to be logistically challenging for the assigned Account Officers (AOs) as the MSEs were widely dispersed. This, together with time limitations of the Project, affected the time available for counselling. FSP staff were trained well by the Project, as evidenced by the very positive feedback received from the MSEs and FSP staff. The training enabled the FSP staff to offer very effective training and counselling to the MSEs.

It was found that the training and counselling helped both the FSPs and the MSE clients. The counselling helped the FSPs to understand their clients much better and this helped improving the relationship between the AOs and their clients. Apart from improved business practices of using cash flow analysis, another notable achievement of the counselling was that clients adopted the practice of separating household and business accounts.

Outcome 3 was about bringing a policy change in favour of responsible financing. From a long-term sustainability perspective of achieving greater client-centricity for FSPs, this was import. The Project made inroads into policy-making bodies and was able to create general awareness about the usefulness of incorporating SPM/responsible finance in product suites. Because of its limited duration, the Project was unable to achieve any specific policy level change. However, OJK- the main stakeholder in the financial inclusion space in Indonesia - agreed to the statement that it is good to have SPM in FSPs offerings/operations. While more efforts need to be made towards the introduction of a voluntary SPM code, the acceptance-in-principal of SPM as an important instrument to stimulating the growth of MSEs is a good step – considering the limited timeframe of the Project.

Despite the limited available timeframe, the evaluation found that the Project has been very effective.

1.5. Efficiency and Resource Use

The Project was highly satisfactory in terms of using resources and efficiency. Despite a time-extension, the Project did not require additional funding to complete its activities. The major focus of the Project was on Outcomes 1 and 2 and this is reflected in the fact that 87% of the budget of USD 3,012,208 was spent on activities related to these outcomes. More than 99% of the budget allocated to the 3 outcomes was spent. From the budget allocated for management costs, only 3.3% remained unspent. The budget and expenses were managed well and the Project finished all the activities within the agreed timeframe.

The Project also managed to leverage support from other stakeholders. For example, the Project trained 68 managers from 24 FSPs under the UMi programme and the cost of this training was covered by the Ministry of Finance (MoF). Similarly, the Savings Banks Foundation for International Cooperation (SBFIC) funded a training of trainers (ToT) course for national trainers on “product diversification”.

The Project staff constituted 4 professionals, led by the Chief Technical Advisor. This staff composition was adequate for the Project. External organizations and consultants were hired for specific activities and the mix of inputs provided by Project staff and external organizations/consultants was found to be efficient.

1.6. Impact, Sustainability and Future Orientation

The RCT study noted that the adoption of cash flow significantly improved with an increase of 46% clients. Also, MSE’s business performance showed an increase in income of USD166 per month, which is also significant. The impact on the FSPs included a decrease in late loan repayment rates by 7.2%.

The study also found that the impact of the Project in terms of improvement in business practices and performance was negligible at the aggregate level. As shared by the stakeholders, a more profound impact is expected if the Project is scaled up and would not be constrained by a limited timeframe and random assignment of clients for the NFS. One of the short term achievements of the Project was that clients started to operate their enterprise in a more 'business-like' manner. This included adopting practices like separating business and household accounts. Together with learning about cash flow, this helped clients in making better business decisions. In one case the evaluation found that the pilot resulted in clients using a savings product offered by an FSP. Another example was that clients demanded a particular loan product from the FSP. These are vitally important impacts in terms of providing future direction to the Project.

From FSPs' perspective, the evaluation showed that even in the short run the Project achieved many positive outcomes. The most widely hailed outcome of the training and counselling was that the FSPs got to understand their clients better. The second most resounding benefit was that the relationship between the AOs and the clients improved – this resulted in many cases in improved repayments behaviour.
8 FSPs agreed to integrate non-financial services in their product offering for the MSEs, which is another achievement of the Project. The FSPs may need more intensive support for some time in implementing the NFS roll-out. Ideally the Project would have helped each of the FSPs in NFS implementation for a longer period. This would have allowed for a more effective bundling of the financial and non-financial products. Most FSPs would like to have more of their AOs trained and scale up the NFS offer.

At sector level, achievements included the recognition by major sector players of the value of introducing social performance/responsible financing into FSPs operations in terms of economic and social dividends for MSEs. OJK has indicated the importance of aligning the Project during a next phase with OJK's work on strengthening BPR and conducting training.

Through its work, the Project has been able to make a positive start in advocating for the benefits of responsible financing/credit +. More work on this is required and a next phase of the Project is recommended – incorporating lessons learned from this phase.

1.7. Recommendations

Recommendation	Addressed to	Priority and Timeframe	Resource Implications
1. Expand the Project through a second phase, building on the traction created in the current phase and tapping in on the opportunity to include interventions that could substantially enhance the impact on the FSPs, MSEs and other stakeholders.	SECO, ILO	High, Immediate	High, requires donor support
2. Ensure some minimum support till Phase II of the Project starts. Such an interim 'maintenance" phase is to ensure that the Project's achievement do not lose their	SECO	High, Immediate	Low

momentum. For such an interim period it is proposed to support the implementation of NFS by the 8 FSPs that have confirmed their interest.			
3. Design a possible phase II Project for a 4-year duration and build in sufficient flexibility in the design to allow for updating the results framework and a budget revision after the 1st year, if required.	SECO, ILO	High, at the time of desgning next phase	Medium, only 1 year added, requires donor support
4. Depending on needs and capacities, provide a range of SPM support to different FSPs – ranging from basic SPM support to support that includes NFS with business training and counselling	ILO	High, at the time of desgning next phase	Medium – due to more complexity created
5. Provide follow-up training and technical assistance with the aim of institutionalising SPM and/or NFS	ILO	Medium, during next phase	Low
6. Develop customized strategies for different groups of FSPs and even within FSPs if required – implement a tailor-made credit+ approach	ILO	High, during next phase	Medium
7. Differentiate between delivery (in-house) v/s distributing/facilitating (use of 3rd party) of NFS and offer more feasible NFS support to FSPs who don't want to offer NFS on their own.	ILO	Medium, during next phase	Low
8. Where needed, use third-party service providers, with FSPs collaborating and monitoring NFS	ILO	Medium, during next phase	Low
9. Increase the range of products for MSEs to cater to different needs for financial services. This may include for example e-learning modules and accounting/financial management apps	ILO	Medium, during next phase	Medium as new products will be developed
10. Provide technical assistance in reviewing and developing SPM	ILO, SNKI, OJK	High, Long term and during next phase	Low
11. Support FSPs with digitalisation and possibly include FinTech companies as partners	ILO, OJK	High, Long term and during next phase	Medium
12. Engage with *Strategi Nasional Keuangan Inklusi*/National Strategy for Financial Inclusion (SNKI) and similar stakeholders to work on establishing a Self-Regulating Organisation (SRO) for institutionalising SPM in the sector	ILO, SNKI, OJK	High, Long term and during next phase	Medium

2. Project Background and Objectives

Approximately 99 percent of the 62 million businesses in Indonesia are classified as micro and small enterprises (MSEs). More than 97% of workers in the country are served by MSEs. In terms of value-added, MSEs contribute 46% to national economic growth. Nevertheless, productivity in small enterprises is relatively low compared to large enterprises.

Limited access to financial services is one of the major constraints faced by small enterprises that affect their growth. Less than 30% of small enterprises use bank loans for working capital and only 11.6% of them seek bank funding for investment. While the number of small businesses receiving loans is quite low, the variety of loan products offered across different economic sectors is also fairly limited. More than half of the SME loans are trade loans. On the other hand, production and agricultural loans amount to only 10.2% and 9.1% respectively of the total.

Also, a small number of MSEs (Micro and Small Enterprises) are capable of receiving enterprise or business development services (BDS). In most cases, MSEs are unable or unwilling to pay for such services. A limited number of MSEs receive enterprise development services through programmes funded by public institutions, donors, and as part of corporate social responsibility projects of private companies. While the market approach to providing BDS continues to be promoted, the outreach remains relatively weak.

Promoting Micro and Small Enterprises through Entrepreneur's Access to Financial Services (PROMISE IMPACT) project was developed in partnership between the Government of Indonesia, the Swiss State Secretariat for Economic Affairs (SECO), and the International Labour Organization (ILO). Specifically, PROJECT IMPACT aimed to realize three outcomes that are interrelated and feed into each other.

Outcome 1. Supply of financial and non-financial services are better aligned to the needs of the MSEs in the pilot areas as a result of innovations and social performance management.

Outcome 2. Enhanced productivity, improved working conditions, and access to financial and non-financial services for MSEs.

Outcome 3. Access to socially responsible finance is integrated into the national policies and in the regulatory framework.

In implementing the project, ILO partnered with the Financial Services Authority or *Otoritas Jasa Keuangan* (OJK), the Coordinating of Economic Affairs (CMEA), the Ministry of Cooperatives and SMEs (MoCSMEs), and provincial government in selected provinces.

The Project shortlisted 13 FSP with which it rolled out the pilot of offering bundled services. The FSPs included a mix of different kinds of legal forms – BPRs, regional development banks (BPDs) and Cooperatives.

Initially, the Project envisaged targeting Food and Beverage MSEs in East Java and Textiles and Garments MSEs in West Java. However, the Project had to consider including other sectors as well, as stakeholders indicated that Food and Beverage MSEs were now fast growing in West Java as well. There were also several MSEs focused on Textiles and Garments in East Java. Besides, the

MSEs covered by the FSPs were spread through industries. The project reasonably changed the focus on identifying FSPs based on criteria related to the social mission, financial performance, outreach and willingness to implement SPM, rather than on criteria related to the economic sector from which their MSE clients originated.

To understand the needs of MSE clients, the project conducted a Client Assessment Survey (CAS) that detected a major resonance with FSPs-many of whom shared that the survey helped them better understand their clients. The Project included a lot of learning events, including workshops and FSP training on SPM. For the staff of the FSP who was to introduce the pilot, the project carried out training sessions on the modified courses of the Making Microfinance Work (MMW) and Start and Improve Your Business (SIYB) from ILO. The training of trainers (ToTs) and training of counsellors (ToCs) was based on the ILO training SIYB. Finally, at MSE client level, the trained loan officer of the FSPs offered counselling or classroom-based training - or both in some cases.

The Project conducted an end-line impact evaluation using RCT methodology and involved international experts from the University of Mannheim alongside two local academic institutions.

3. Purpose, Scope and Clients of Evaluation

The purpose of the Final Evaluation (FE) was to assess the accomplishments of the end-of - the-project against its progress goal and its three specific outcomes and to encourage transparency, promote accountability and learning. The learning could be used in preparation for a potential next stage of the Project or in other similar projects.

The scope of evaluation covered the different components of the project-results, outcomes, and activities as expressed in the project document as well as the subsequent modifications/adjustments made during its implementation and the recommendations made by the Mid-Term Review (MTR). The scope of the work included an evaluation of the project's success vis-à-vis:

- Outputs and results against goals and indicators;
- Selected approaches and methods of implementation;
- Partnership arrangements;
- Follow-up to defined constraints / challenges and opportunities / recommendations
- Use and management of project financial resources;

Further, the scope included bringing out strategic and operational lessons learnt and recommendations as well as opportunities for scaling up of the Project.

The clients of the report include the SECO, ILO (including the Project Team, Indonesia Country Office and Geneva office), OJK, CMEA and the local governments of East and West Java.

4. Evaluation Criteria and Key Evaluation Questions

ILO's evaluation guidelines expect evaluations to follow the five main criteria laid out in the OECD/DAC Principles for Evaluation of Development Assistance. These are relevance, efficiency, effectiveness, impact, and sustainability. These standardized criteria allow ILO and other stakeholders to determine the merit, worth or significance of the Project. It also enables to compare the results of evaluations between programs. The evaluation was based on these criteria and in addition the Terms of Reference (ToR) had a criteria on "validity of design" which was also included in the evaluation.

The questions for each criterion as provided in the ToR are laid out below. Sub-questions were developed for each key question and the same are provided in Annexure III.

Section	Key Question
Relevance and Strategic Fit	1. To what extent has the Project been relevant to, and aligned with, national plans, priorities and strategies on inclusive finance and SMEs – including national capacity building plans and strategies? 2. As relevant, to what extent has the Project been able to effectively adapt to changing/emerging strategic government plans and priorities? 3. To what extent has the Project been successful in promoting the institutionalisation and/or standardization of its implementation model?
Validity of Design	4. To what extent were the Project's formulated development objective and outcomes realistic and aligned with government priorities and plans? 5. To what extent has the Project's business model (including social dialogue, choice of sectors, partners, recipients and beneficiaries, and its main means of action – as formulated in the Project Document and further developed during implementation) been strategic and effective (including outreach, quality of services and impact on clients) in contributing to the development objective and in achieving the Project's three outcomes? 6. To what extent have the Project's systems and approaches to monitor and evaluate the progress, effects and impact of the interventions, been relevant and effective?
Project Results and Effectiveness	7. To what extent has the Project been effective in achieving its three specific outcomes and the delivery of the planned outputs? 8. 2. To what extent have the key stakeholders of the Project, including recipients and beneficiaries, been effectively involved in the design and implementation of the Project's strategy and activities, and how important has the involvement of the stakeholders been? 9. What were key constraints and opportunities that emerged during the implementation of the Project and to what extent has the Project been effective in taking measures to address constraints and follow-up on opportunities?
Efficiency and Resource use	10. To what extent were available resources sufficient, allocated strategically, made available timely, and utilized efficiently to achieve outputs and outcomes? 11. What is the estimated balance of Project funds as of 31 December 2019?
Effectiveness of Management Arrangements	12. To what extent has the Project management Team received adequate political, technical and administrative support from its national partners and from the ILO (ILO JKT and technical units ILO HQ)? 13. To what extent has the available ILO Project management Team been able to effectively manage the Project and monitor progress and impacts, and were the management systems and tools that were used adequate? 14. Was there a clear understanding of roles and responsibilities by all parties involved and did implementing partners provide sufficient support to facilitate effective project implementation?

Impact, and Sustainability and Future Orientation	15. To what extent can the Project's achievements be sustained and replicated at various levels without further external support, beyond December 2019? 16. To what extent has the Project achieved its envisaged impact? 17. Given the Project's achievements towards its envisaged impact and outcomes, together with the assessment of the achieved level of sustainability and replicability, provide recommendations as to whether a follow-up phase of the Project will be justified and required. Provide suggestions regarding directions, strategy, scale and duration for such a possible next phase.

5. Methodology

5.1. Approach and Methodology

The final evaluation also looked at the recommendations made during the MTR and assess to what extent the recommendations have been implemented. The validity of the connections between activities outputs and outcomes was verified during the evaluation The FE also analysed whether additional/alternative inputs, actions or strategies could have resulted in better outcomes. The scope of work for the FE also included the formulation of strategic and operational lessons learned and recommendations, as well as the identification of opportunities to scale up the project during a possible next phase.

The methodology of FE included desk study/document review and key informant interviews. Key informant interviews included amongst others SECO, Members of the PSC and PACs, PROMISE IMPACT Project management Team, FSPs. The team also met other relevant institutions involved in inclusive finance in Indonesia such as MicroSave and SNKI. While meeting stakeholders in Jakarta, the evaluation team met the Project management team more than once to clarify issues or ratify the findings emerging from the discussions with various stakeholders. See Annexure VI for a full list of the interview schedule.

The team visited both East and West Java and covered both the geographical areas where the project was implemented. The project coordinators in the FSPs as well as the Loan officers who received training and provided TOT were interviewed. The FE team also met 3 MSEs, to understand the qualitative aspects of the training/counselling received under the Project.

The evaluation team used unstructured interview approach for critical reflection by the stakeholders. Both the evaluators discussed with the stakeholders together to ensure that the key questions were covered comprehensively and that follow-up questions were clarified. Often the FSPs made available more than one person who was involved in the Project. This provided the evaluator team with well-rounded information and opportunities to clarify, cross verify and capture anecdotes.

The Project had already conducted an endline survey of the pilot of offering non-financial services to the MSE clients. The pilot was based on the principles of random control trial to measure the difference between control and treatment groups of MSEs. A total of 5,131 clients were randomly selected in baseline across 13 partner FSPs. This included 1,798 MSE clients in control and 3,333 in the treatment group. Further, the treatment group clients were assigned between the 'Counselling', 'Training' and 'Training and Counselling' groups. In the endline, the survey team was able to reinterview a total of 4,292 clients. This was a large sample size compared to what is generally used in such studies. The FE used the endline survey report to reflect on the findings on the impact and sustainability. The key questions on impact were used in interviews with FSPs to validate/triangulate/substantiate what the endline survey reported. The randomised control survey was conducted by a professional organisation experienced in conducting studies and surveys based on RCT methodology. The organisation used online monitoring that helped control the quality of intervention. However, random assignment of clients meant that they were spread over a large geographical area, making it difficult to cover many clients through interview. After agreeing with the Project team and the Evaluation Officer, 3 clients were interviewed to understand how the whole process of counselling and training was conducted and what benefits/impacts accrued for the clients.

The evaluation team met the Project team before the validation workshop to cross-verify the observations and findings gathered from the interview and discussions with the FSPs. Finally, a validation workshop was organised which involved the PROMISE IMPACT Project team and SECO. This provided the FE team with an opportunity to validate the observations and initial findings, conclusions, and recommendations.

While conducting the evaluation the ILO evaluation norms, standards and ethical safeguards were followed.

5.2. Limitations and Constraints

The evaluation went as per plan and once started was carried out within the agreed schedule. There were just a few limitations:

The team was not able to meet some stakeholders for consultations during the field visit. The two stakeholders that the team was not able to meet were Director of Directorate International - OJK and PROMISE IMPACT focal official from West Java Provincial Cooperatives and SMEs Office. However, the evaluators were able to meet two informants from OJK one at the national and another at the provincial level. Although the focal person for ILO was not available due to transfer to other Office, the consultants met Sub-Section Head of MSMEs Cooperatives and had interaction. In all, there was no loss of information.

Some stakeholders like OJK were not available for the validation workshop. A summary of the evaluation and a presentation of the validation workshop were after the validation workshop to get the inputs of all stakeholders. Subsequently, the draft final report was also shared with the stakeholders to receive comprehensive inputs.

It was initially decided to meet five MSEs. However, upon discussions with the Project Team, the number was revised down to three. The reason was that the MSEs who received NFS in the Project were randomly assigned to measure the differential impact on the treatment group in comparison to the control group. This meant that the clients were spread far and wide and given the tight evaluation schedule it was extremely difficult to find time to meet all five. Finally, the team was able to meet all three MSEs. Most of the information on MSEs came from the RCT survey commissioned by the Project.

6. Overview of the Report

The report begins with a summary of the Final Evaluation report which provides a brief context of the Project, key findings, lessons learnt and key recommendations. This is followed by a detailed background of the PROMISE IMPACT project that informs the rationale of the Project as well as the

Project's key objectives and outcomes. Purpose of the Final Evaluation (FE) follows next that outlines the scope of the evaluation, the methodology followed, and the key stakeholders consulted. Limitations and risks and how these were managed are described in the next section.

The main report then follows which begins with key findings of the FE. The findings are organised by the OECD/DAC/ILO criteria. Each finding begins with key questions evaluated and follows with a discussion of the findings. The last section in the findings covers the impact, sustainability and future orientation of the Project. The future orientation in this section provides a template of what might the next phase of the Project looks like. Lessons learnt from the FE are discussed next. Recommendations are discussed next that inform the next phase of the Project.

7. Findings

The table below summarizes the Project on various evaluation criteria. Later sections of the report detail out the specific findings under each evaluation criteria:

Table 1: Findings Summary on Evaluation Criteria	*Highly satisfactory*	*Satisfactory*	*Unsatisfactory*	*Highly unsatisfactory*	*Justifications*
Relevance	√				Relevant for all: ILO, SECO, MSEs, Indonesian Government
Effectiveness		√			Most outcome indicators achieved
Efficiency	√				All activities performed within the budget and also leveraged from other sources
Impact		√			Most expected results achieved
Sustainability		√			More than target FSPs sustaining the activities, only some indicators not sustainable yet
Overall rating	√				Satisfactory achievement on most evaluation parameters and highly satisfactory on the rest despite limited time

The Project has an overall rating of 'highly satisfactory' on account of the same rating on the evaluation criteria of 'relevance' and 'efficiency' and 'satisfactory' on the remaining evaluation criteria. The Project worked on highly relevant themes of MSEs development that were in alignment with ILO's, SECO's and Indonesian government's own strategies and long-term plans. The Project is rated 'highly satisfactory' as the Project worked with a small team, a relatively modest budget that was spent efficiently on creating sector-wide capacities and knowledge. The project also showcased a model of the bundled products that could be potentially used by the other FSPs. The Project efficiently leveraged the training capacities built by ILO earlier to create more training capacities in the FSPs. It also was able to add more on top of its mandated work by leveraging financial support MoF and SBFIC and train more FSPs in the sector.

The Project is 'satisfactory' on criteria of effectiveness, impact, and sustainability. While the Project achieved and, in some cases, overachieved the targets, there were some areas like the policies on SPM where more work would be needed. While a good beginning has been made on offering NFS, more work will be needed to work with FSPs to institutionalise the work. Similarly, while immediate and short-term impacts both at the MSE level and FSP level have been achieved, the Project's impacts would be visible in the long-term. More than targeted FSPs have committed to offering NFS bundled with the financial products, but the FSPs would still need handholding support in improving and customising the NFS.

7.1. Relevance and strategic fit

The key questions addressed under these evaluation criteria were the following:

18. To what extent has the Project been relevant to, and aligned with, national plans, priorities and strategies on inclusive finance and SMEs – including national capacity building plans and strategies?
19. As relevant, to what extent has the Project been able to effectively adapt to changing/emerging strategic government plans and priorities?
20. To what extent has the Project been successful in promoting the institutionalisation and/or standardization of its implementation model?

It was found that the Project is highly relevant and strategically fits with the current developmental priorities of the national government. Additionally, the Project was found to be highly relevant to the needs of the MSEs and fits into ILO's strategic priorities for Indonesia. The Project responded to the emerging needs of the government/stakeholders and took their requirements into priority. The Project has also institutionalised the implementation model very effectively in the FSPs that plan to take forward the bundled services incorporating non-financial services (NFS). This, however, will continue to evolve and the Project needs to further support the partner FSPs in rolling out the bundled services in the next phase.

Relevance to the national plans and strategies for the MSE sector

There was no formal theory of change explicitly documented either in the initial project document or in other documents of the project. However, given the overall project goal, outcomes and outputs together with targets and activities there exist an implicit theory of change.

The overall goal of the Project was "to promote more and better jobs through responsible financial inclusion and promotion of better productivity. This would enable MSEs to increase their income, be better PFSP clients and ultimately creating more and better jobs". The project document notes that this goal has the following context:

- MSEs dominate the private sector scene in terms of numbers and jobs created and are represented in all economic sectors (agriculture, fisheries, industries, services).
- Micro and small enterprises (MSEs) in 2013 account for more than 99% of the total enterprises, with the contribution to Indonesia private sector employment 93.6%[3]
- Despite the importance of MSEs to the economy the Bank finance to MSMEs only accounts for about 18.4% of the bank's portfolio in 2014[4]. Thus, there is a huge gap between the MSEs' major role in the economy and the support available for their development, in particular, access to finance.

The above highlights the importance to develop MSEs in Indonesia from the perspective of creating more and better jobs as they are enabled to contribute more to the GDP of the country. Given the established need to develop MSEs in the country the project document notes that there following constraints and opportunities both on demand-side and supply-side:

Supply-side:

- Indonesia's financial sector has a huge opportunity to contribute to employment generation and economic growth – compared to Indonesia's neighbours (Malaysia, Thailand, and China) the financial assets to GDP ratio for Indonesia is very low
- There is an uneven and limited capacity among FSPs and Banks in designing products that respond to the needs of current and potential clients, including MSEs

Demand-side:

- There is a large number of borrowers who have the potential to grow but run the risk of using FSP loans for consumption.
- On the business side, the MSEs need to be able to meet the needs of FSPs and improve their productivity

Further, the project document notes "data shows that there is a large gap between the demand and the supply of formal financial services and it affects households and MSEs equally.

The Project sought to bridge this demand-supply gap by working on the constraints on demand and supply side. Also, the Project seeks to address structural issues on the regulatory side to enable the development of a financially responsible inclusion of MSEs and other clients. This, the Project sought to do by information dissemination on financial literacy/SPM and integrating these within the national policies and regulatory framework.

Given the above context, it is found that the Project was highly relevant and strategically fits with the current developmental priorities of the national government.

In terms of contributing to Indonesia's policy or regulatory framework regarding the access to socially responsible finance, PROMISE IMPACT project worked closely with relevant stakeholders of the Government. The government, through Presidential Regulation No. 82 of 2016 concerning the

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[3] International Finance Corporation in collaboration with USAID, Market Research Study. (March 2016) *Women-owned SMEs in Indonesia: A Golden Opportunity for Local Financial Institutions*, retrieved from https://www.ifc.org/wps/wcm/connect/260f2097-e440-4599-91ec-e42d45cf3913/SME+Indonesia+Final_Eng.pdf?MOD=AJPERES&CVID=lj8qhPY

[4] Ibid.

National Strategy for Financial Inclusion (SNKI), set a target of financial inclusion index of 75% by 2019. The regulation seeks to grant access to financial services to 75 percent of Indonesian adults by 2019, up from 36 percent in 2014 through five pillars: financial education, public financing facilities (explicitly stating SME empowerment), supportive regulations and consumer protection, intermediation and use of alternative distribution channels. The Project was highly relevant to and contributed specifically to the pillars of financial education and supporting regulations.

Further, PROMISE IMPACT was also in alignment with the Government of Indonesia's ambitious Master of Plan for the Acceleration and Expansion of Economic Development of Indonesia (MP3EI). This program targets MSEs as a vehicle to foster the development of Indonesian economy, in which cluster strategy has been chosen as the approach to develop the capacity of these MSEs. The program name is no longer being used by the current administration but the vision of MP3EI is captured in the national long-term development plan to be implemented by the current regime.

Also, PROMISE IMPACT has aligned well to OJK and ASBANDA plans in developing MSEs through BPDs transformation program and BPRs transformation program. The transformation program implementation's road map includes three phases: Foundation Building, Growth Acceleration, and Market Leadership. The PROMISE IMPACT project sought to enhance access to quality financial and non-financial services for the MSEs in working with BPDs. The PROMISE IMPACT Project provided capacity building for FSPs with a focus on providing responsible finance through better understanding of their clients. The project was in alignment with the second phase of BPD Transformation Program that was implemented during 2017 – 2020.

PROMISE IMPACT has responded to the emerging needs of the stakeholders and this contributed to the relevance of the Project. The Project responded to request from the government for advice on strengthening the enabling environment for SME finance. This the Project did by commissioning a study in collaboration with the Financial Services Authority (OJK). The study sought to review the regulatory framework for lending to small businesses. Subsequently, the Project organised policy dialogues with relevant government agencies to discuss recommendations contained in the report. This is reflected in the efforts of the Project to engage with OJK at the national level and TPKAD at the provincial level. The Project also conducted a study titled "Enterprise Credit for Manufacturing" that focussed on the internal policies and constraints of the Banks that affect enterprise credit. The study helped the Project engage with relevant policy platforms.

PROMISE IMPACT has been promoting SPM for the FSPs by strategically engaging OJK, the most important stakeholder in financial inclusion regulation and policy space. The Project conducted workshops and training on SPM that sensitized the stakeholders about responsible financing and bringing their services and products closer to the needs of MSEs. The Project while sticking to the outcome deliverables has been quite 'client-led' in that the Project responded to OJK's request on research and studies on MSEs (regulatory framework for lending to small businesses) that would help OJK fine-tune its policies for creating enabling regulatory environment for MSE financing.

Relevance to ILO's strategy

Alignment with PROMISE IMPACT evolved from ILO's stand on (in line with Indonesia Jobs Pact) the promotion of adequate financial policies, productive employment, and decent work for women, men, and youth. The project sits well with and furthers ILO's strategy for Indonesia. PROMISE IMPACT specifically contributes to the ILO's Decent Work Country Programme (DWCP) in Indonesia. The ILO/Indonesia DWCP, which was developed in close consultation with the tripartite constituents and is aligned with the Indonesia Jobs Pact, has identified the promotion of adequate financial policies, productive employment, and decent work for women and men and youth as some of its priorities. PROMISE IMPACT was designed to contribute to the DWCP's Outcome IDN 129 titled "Improved policies and programmes on entrepreneurship, business and cooperative development for job creation, including financial inclusion". The objective of the project is directly aligned with the Sustainable Development Goal # 8. Target 8.4 is to "strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all."

The Project was in response to ILO's belief that 'credit alone' approach alone does not and cannot lead to the development and promotion of enterprises and that approaches beyond financing need to be adopted to make markets work for poor. The reliance on Social Performance Management (SPM) as an institutionalized process of translating FSPs' social mission into practice under the Project was a result of this approach. It is SPM that includes setting clear social goals, monitoring progress towards them and using this information to improve the businesses and subsequently the lives of the clients.

The institutionalisation of the implementation model

The implementation model of the Project included FSPs training and providing counselling to their MSE clients. The model is very strategic given the fact that FSPs maintain a continuous relationship with the MSEs because of an almost regular financial transaction between the two. The Project experimented with providing training and counselling using the FSP staff. It was found that training would be best delivered by the bigger institutions and by the FSPs that have an in-house training infrastructure. The counselling, on the other hand, could be delivered by most of the FSPs Accounts Officers (AOs). One cycle of training for the FSP staff, implementation of NFS and refresher training for FSPs has happened. To the credit of the Project, the process of institutionalisation has begun with 8 FSPs planning to implement the NFS, further engagement of the Project will be needed as the FSPs now implement NFS on their own. Technical support will be needed in perfecting implementation models which could vary across the FSPs depending on their business models and financial resources.

7.2. Validity of Design

The following key questions were explored under these evaluation criteria:

1. To what extent were the Project's formulated development objective and outcomes realistic and aligned with government priorities and plans?
2. To what extent has the Project's business model been strategic and effective in contributing to the development objective and in achieving the Project's three outcomes?
3. To what extent have the Project's systems and approaches to monitor and evaluate the progress, effects, and impact of the interventions, been relevant and effective?

The validity of the Design of Project Outcomes

The Project outcomes effectively contribute to the Project's development objective are valid and are designed to align with the priorities and plans of the Government. The Project' business model included working at FSP and sector level. At the institution level, the Project sought to establish that providing NFS would improve business practices and better business performance for the MSEs and at the same time maybe a business case for the FSPs. At the sector level, the Project sought to bring awareness, sensitisation potentially leading to the financial sector participants taking up SPM measures. The Project sought to influence policies/regulations to create an enabling SPM environment in the sector. From a design perspective, all the outcomes and interventions tie into the project's development objective and align with the national priorities. The specific outcomes of the Project are discussed below.

Outcome 1:

Outcome 1 is "Supply of financial and non-financial services by FSPs are better aligned to the needs of MSEs in the pilot areas as a result of innovations and social performance". The outcome targets rolling out financial or non-financial services with 10 FSPs of which at least 5 would integrate SPM in their operations. Another target indicator for the outcome is that offering financial or non-financial services/adoption of SPM would prove a business case for the FSPs. The outcome is valid in terms of the context in that it contributes to the overall developmental goal of the project which itself is highly relevant to the national context. By providing services to MSEs PROMISE IMPACT project has contributed to the pillars in the national strategy for financial inclusion.

The target to include 10 FSPs was realistic as the number is credible to showcase a model of responsible finance positively impacting MSEs' performance in terms of improved profits and creating more and better jobs. In this respect expecting only 50% of the FSPs willing to go ahead with the SPM also looks realistic as there could be several reasons that might derail the plans of the FSPs in integrating SPM in their operations. The target that 50% of the FSPs will be able to prove business case looks theoretically sound and valid but was unrealistic in the limited project timeframe. This is especially so if one considers a financial return on NFS. Most FSPs shared that offering NFS as bundled products meant extra cost and affected the business performance of their AOs even though conceding that providing NFS brought benefits to not just the clients but also institutions. However, there is no evidence yet of a business case in terms of financial return. The FSPs that are implementing the bundled services are the Cooperatives that treat this as an investment in their member clients.

The total Project duration was for 45 months but the actual intervention period for the pilot of delivering bundled services through the FSPs was much shorter. The longest time the intervention was implemented was around 11 months while the shortest was less than 8 months. The time it takes for the institutionalization of SPM or NFS for willing institutions and the time it takes for changing behaviour for MSEs to adopt some of the best practices in management was not sufficient compared to the target of "business case will be proven for 50% of the FSPs". In this respect, the findings of the randomised control trial study (the study finds no significant effects of the training and/ or counselling intervention on outcomes averaged over all FSPs within the first year) are consistent with the expectation of any major impact in such a short time. It may be noted that there are notable exceptions though, like for example enhanced uptake of business cash flow analysis and some statistically significant improvements within the treatment sub-groups even during the limited timeframe of the Project intervention.

The Project conducted the pilot as an experiment by randomly assigning the clients to control and treatment groups in each of the participating FSPs. As a pilot design, this was a valid arrangement as it was needed to differentiate between the control and the treatment groups. As most FSPs shared, random assignment of MSE clients posed logistical challenges for the Counsellors (AOs) that reduced the effectiveness of the results. The actual implementation of the Project in a scale-up phase would have a design different from the pilot. In a roll-out phase, the AOs would not counsel random clients but would more likely counsel clients within limited geography or perhaps their service area. This arrangement would be more effective in terms of producing better results and more efficient in terms of resource allocation and costs.

The target metric of the business case of offering SPM by the FSPs was highly relevant from a sustainability perspective. However, from a design perspective, it would have been more realistic to evaluate this metric in terms of whether FSPs would be able to make a business case in offering NFS in a short time frame.

The PROMISE IMPACT Project focused on non-financial products. Subject to additional funding from the start, the design could have been more robust if the Project also helped FSPs offer more suitable financial products by identifying marketable segments of clients. The peer learning workshops record FSP participants acknowledging that the client surveys helped them understand their clientele better. Further, the evaluation reveals that most FSPs would like to have their products reviewed/developed. Financial product development which is a key aspect of SPM could have potentially leveraged the benefits expected/received from non-financial services. For example, if training on financial management was to be followed with an offer of a financial product that was better aligned to the client cash flows; the chances are the client would find greater use of cash flow tools. In turn, the FSP could hope to further improve its repayment rates. While adding the development of financial products to the project design would have had these benefits, it would have required technical assistance for the willing FSPs to help them improve or develop new products. In addition to increasing the length of the Project period, this would have required more budgets in the Project. It is well noted that within the limited budget of the Project choices need to be made and the Project seems to have preferred offering NFS which was a more direct intervention for the MSE clients.

The choice of FSPs as partners in the Project originated from the goal of establishing responsible finance. This is a valid design choice. BPRs, BPDs and credit cooperatives that were chosen as partners were best placed to be selected as partners due to their outreach of MSEs compared to the commercial national banks. These FSPs have the last mile outreach in providing access to finance to the MSEs and transact with the clients regularly. Practically, however, the evaluation found that not all FSPs are equally placed to offer NFS. The Project could have added more actors who could provide NFS in collaboration with the FSPs. Understandably; this would have brought more complexity and would require more budgetary resources as well as an extended project timeframe. These issues are further discussed in the later sections of the report.

Outcome 2

Outcome 2 is closely related to Outcome 1 and relates to the demand side (MSE clients). The outcome measures the output and productivity at MSE in response to the non-financial services (training and counselling). This outcome was important to measure the impact of the Project. From this perspective is it is a very valid and important outcome to measure. The outcome target metric includes 70% participation in training and/or counselling. Of these 30% MSEs were anticipated to have adopted better practices. Further, the target also included 10% MSEs reporting improved productivity through better management.

From a design perspective, this is a very valid Outcome as ILO would want to measure how much did the intervention impact. However, and as discussed under Outcome 1, more inputs should have gone into assessing if benefits would indeed be available in the short time frame and/or if the lead products of the Project (training and counselling as far as the MSE Clients are concerned) were enough to create the desired impact in this short a run.

Training and counselling both were chosen as MSE level interventions. This was a very apt design choice as well. Training and counselling both appeal differently to different FSPs. This also brought useful lessons in that while clients did seem to prefer training many FSPs don't have the infrastructure or resources to provide training on a wider scale. Including both in the Project design helped look at the comparative benefits of each and this could potentially offer a menu of choice to the willing FSPs in the future.

Outcome 3

This outcome was about integrating socially responsible finance in the national policies and the regulatory framework. The outcome is very valid and important from sustainability and scaling up perspective. This outcome had a challenging target of having draft guidelines on SPM and its monitoring on the FSPs. The target was ambitious given that it takes much longer to get the policymakers and regulators to amend policies or regulations.

However, some steps towards achieving the target of draft guidelines on SPM were indeed valid and well designed. The steps included jointly working with OJK to carry out research work and conducting technical workshops in aid of formulating guidelines on SPM. Engaging with OJK, the most important stakeholder in financial inclusion regulation and policy space proved very effective in disseminating the SPM across the sector. The Project while sticking to the outcome deliverables has been quite 'client-led' in that the Project responded to OJK's request on research and studies on MSEs. This naturally placed ILO as a very important stakeholder in the arena of responsible finance. The image created by ILO on this outcome could be leveraged during the next phase of the Project.

Choice of Geographies and Sectors

East Java and West Java were the two pilot provinces chosen for implementation. These two provinces have Micro, Small and Medium Enterprise (MSMEs) accounting for most of the total businesses - almost 99.9% in West Java and more than 95 percent in East Java. Further, MSMEs account for 81.7 percent and 67.7 percent of total employment in West Java and East Java respectively. From the perspective MSEs this was a valid choice of geographies in East and West Java. While the Project focussed on these geographies for the pilot on NFS, the Project included other geographies as well for SPM sensitisation, sector-level training and workshops. Focussing on Java was a good choice since the region the most concentrated in terms of MSMEs. Also, it allowed the Project to use limited resources more effectively.

MSEs were envisaged as the clients and eventual beneficiaries of the Project. The initial project design focused on the manufacturing sector with the Textile and Garment (T&G) industry in West Java and Food & Beverages (F&B) industry in East Java. This was in line with the concentration of these sectors in these provinces. However, upon finding that FSPs may have a fairly diverse clientele, the choice of the sector was expanded to include other sectors as well. Even so, the pilot resulted in focussing on majorly the manufacturing sector. This flexibility, however, helped the

Project to allow the FSPs that were initially interested in social performance and responsible financing but were not necessarily focussed on manufacturing.

Project Structure and Systems

The Project was implemented with a lean structure composed of professionals each of whom was professionals with relevant experience. There were 4 professionals – a Chief Technical Advisor, one Officer each for East and West Java and a National Project Coordinator and Administrative and Finance Assistant. Where needed, the Project trained the trainers, hired consultants/organisations to conduct research, deliver training to the FSPs and sector-wide participants. This seems to a good design element as the Project was able to get highly qualified resources for whatever time it needed. While the Chief Technical Advisor was a finance expert, it would have been better if at least one of the staff was also experienced in working with FSPs. It may be added the current phase did not require intensive on-site work on improving internal management of the FSPs and therefore an addition of a finance expert is a 'good to have' rather than a 'must-have' requirement.

The Project had a Project Steering Committee (PSC) at the national level and Provincial Advisory Committee at the Province level. These are good design elements. In addition to providing strategic advice, these structures were envisaged to support in mobilising early support from the FSPs which perhaps otherwise would have taken even longer. The Project did well to include OJK in the PSC and this seems to have helped the Project tremendously in terms of furthering the Project Outcomes (especially Outcome 3) and also helping with achieving the outputs related to other outcomes.

PROMISE IMPACT had set up a system and approaches to monitor and evaluate the interventions. The Project produced biannual progress report regularly to inform the status of the Project to the relevant stakeholders. An end-line impact evaluation of providing NFS to the MSE clients was conducted using RCT methodology. This involved international experts from the University of Mannheim alongside 2 local academic institutions. Both monitoring and evaluation methods added to the robustness of Project design. These helped the Project identify areas for improvement and undertake course correction while learning lessons for future project interventions.

7.3. Project Results and Effectiveness

The evaluation criteria had the following key questions:

1. To what extent has the Project been effective in achieving its three specific outcomes and the delivery of the planned outputs?
2. To what extent have the key stakeholders of the Project, including recipients and beneficiaries, been effectively involved in the design and implementation of the Project's strategy and activities, and how important has the involvement of the stakeholders been?
3. What were key constraints and opportunities that emerged during the implementation of the Project and to what extent has the Project been effective in taking measures to address constraints and follow-up on opportunities?

Project results – achievements, constraints, and opportunities

The Project has been very effective in achieving some key project outcomes. There are valid explanations for some of the targets where the Project has fallen short. Even for these outcomes, reasonable progress has been made and good groundwork has been laid for the next phase. The achievement of specific outcomes is discussed below:

OUTCOME 1 Supply of financial and non-financial services by FSPs are better aligned to the needs of MSEs in the pilot areas as a result of innovations and social performance management

The outcome had the following three indicators:

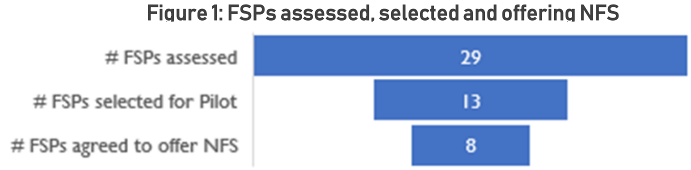
Table 2: Outcome 1 - Indicators, Targets, Achievement

Indicators	Targets	Achievement
Number of FSPs introduce a new financial or non-financial service	10	13
Number of FSPs adopt and implement social performance management	At least 50% or at least 5	8
Business case presented for integrated services and model developed for replication nationally	Business case proven for 50% of partner FSPs	Not achieved within the project time frame

1. *Number of FSPs introduced a new financial or non-financial service*: A total of 29 FSPs were assessed of which 13 were chosen as partners in the pilot to offer NFS to the MSEs 13 FSPs introduced NFS in the Project as against the target of 10. Therefore, the target was overachieved by 30%.

2. *Number of FSPs adopt and implement social performance management*. The Project focussed more on the NFS aspect of the SPM in line with one of the recommendations of the mid-term review report. The provision of NFS could be considered as one of the important dimensions of SPM as NFS contributes to the double bottom line of an FSP and is in line with the spirit of SPM. The output summary document notes that it was not foreseen that full-fledged SPM would be adopted. The latest summary output document indicates a 100% achievement of this outcome. 8 FSPs have agreed to offer non-financial services, indicating these FSPs have incorporated a part of the SPM. This is more than 50% of the finally selected 13 FSPs resulting in achievements beyond the target for this indicator. Additionally, the Project reached out to associate partners by way of sector-level capacity building through training, seminars, as well as peer learning. This created sector level sensitization around social performance management.

Figure 1: FSPs assessed, selected and offering NFS



3. *Business case presented for integrated services and model developed for replication nationally*. The target for this indicator was that 50% of the partner FSPs would have a business case for integrated services or NFS bundled with financial products. The latest project report on summary outputs indicates that a full cost-recovery of non-financial services may not be possible in the short-term. This is in alignment with the RCT study that offers the same analysis. However, the Project reports further notes that providing bundled services has a commercial

benefit that goes beyond cost-recovery or profit. It gives FSPs a niche compared to other conventional financial institutions that offer only credit. This, in turn, can help FSPs to attract more customers and increase their market share. This analysis is true in that it is a challenge to change business practices and behaviours immediately after a single session of training or a few sessions of counselling. This analysis was echoed by the FSPs covered under the evaluation. Except for the Cooperatives amongst the 8 that have committed to going ahead with the bundled services, none of the partner institutions is sure if it could be a business case for bundled services in such a short term. The evaluation found that most of the partners' Accounts Officers (except the Financial Cooperatives, as mentioned) who undertook counselling/training of the clients raised concerns about fitting in such non-financial services in their scope of work. The fact that the AOs' key performance didn't yet include indicators on providing non-financial services during the pilot stage further meant that AOs found it hard to balance their time between their regular responsibilities and the added responsibilities of providing training/counselling. A one size fits all approach may not work with the bundling of services as different FSPs have different internal human and delivery structures. Time is of the essence in baking these models as the FSPs experiment with models to fit NFS into their delivery models. It was a little ambitious of the Project to target business case for FSPs as a result of providing NFS in such a short time.

OUTCOME 2: Enhanced productivity and greater access to services for targeted MSEs through the customized intervention

The outcome had the following three indicators as provided in table 2.

Table 3: Outcome 2 - Indicators, Targets, Achievement

	Indicators	Targets	Achievement
1.	Number of MSEs successfully receiving innovative services from FSPs	70% of MSEs targeted participate right through the training and coaching cycle of the innovation	Achieved
2.	Number of MSEs adopt better practices as a result of innovative services provided by FSPs	30% of MSEs adopt better practices	Achieved
3.	Number of MSEs show an increase in output and productivity	10% increase in productivity through better management	Partial

Number of MSEs successfully receiving innovative services from FSPs: The target included 70% of MSEs participating right through the training and coaching cycle of the innovation A total of 5,131 MSE clients were targeted for of which 3,333 clients were from treatment group which means that they were supposed to participate in either the training, counselling or both. Table 3 indicates the number of training conducted at various levels. The Project conducted training and counselling sessions for the MSEs that were clients of the FSPs. To do this, ILO training modules were adapted. These included SIYB Training of Trainers Course, Training of Counsellors Course, Making Microfinance Work I (Performance), and Making Microfinance Work II (Diversification). During the project, five national trainers were certified to deliver MMW I and MMW II training courses. For SIYB Training, the project used the services of existing ILO certified trainers in the country. This was very effective as the Project did not have to start training from scratch as the Project leveraged earlier investments made by ILO in capacity building.

Eventually, the RCT end line reported that 66.2% of clients went through one or both treatments (counselling, training or both). The actual percentage would have been higher as 66.2% is the self-reported percentage by the clients that underwent the treatment/s. Compared to 70%, this may appear a little short of the target but would perhaps be higher considering some clients who chose not to participate in the end line survey. The RCT survey report notes that the participation rates were quite high. One of the major reasons behind the non-participation was that the clients could not leave the business unattended. The second reason was the clients being busy with housework or children. The RCT study report attributed the clients' non-participation to the time constraints and not to the limited interest in the Project interventions.

There were challenges faced in the Project on the implementation of the pilot. The pilot conducted under the Project to offer training and counselling on improving business included assignment of MSE clients randomly. This was a sound design element to later capture the impact of the inputs provided. However, random assignment proved to be logistically challenging for the AOs assigned to provide counselling since the clients were spread across. Many AOs reported that the clients assigned to them were not the same clients that they serve in their regular work. This made it difficult for them to establish a relationship. In many cases, the clients did not feel comfortable with AOs coming to their homes/businesses for the fear that the neighbours would think they were defaulting on the loans. Despite this, it was noted that most FSPs implemented the pilot with rigour and this included even those that later decided to not to go ahead with the further rollout. Despite the constraints, the Project has achieved the target outcome. In terms of gender, the RCT study report confirms that 86% of the clients who report having participated in the program were women.

Table 4: Training and Publications in the Project

Training and publications in the Project	
Total training conducted	35
• *Loan Officer level*	*16*
• *Manager level*	*19*
No of FSPs trained	452
Account/Loan Officers trained	283
Manager-level staff trained	863
MSEs trained in classroom	726
MSEs provided counselling	1620
MSEs trained in classroom + counselling	987
Total government participants trained	66
Total number of research studies conducted	4

Number of MSEs adopts better practices and increase output as a result of innovative services provided by FSPs:

The target of this indicator was that 30% of the MSEs adopt better practices. The target for increased business performance was 10%. The Project's last progress report notes that there was a 46% increase in clients using cash flow. This is a transformational change and could potentially impact other business metrics over the longer run. The monthly profit of the clients has increased by USD116 per month. However, it is not possible to deduce as to what percentage of clients improved business performance. Late repayment reduced by 7.2% which benefits the FSPs as well. Looking at these encouraging results the Project interventions have been highly effective. These percentages were taken from the RCT survey report. The report also states there seemed to be no big and attributable difference between the control and the treatment groups at an aggregate level on the business practices and business performance. All stakeholders agreed that there was too little time between the pilot and the measurement of results through the RCT survey. There are a few other sub-group level impacts attributed to the Project and these will be important for future programming. For example, the RCT study finds that trading sector clients, clients from one particular FSP and some client sub-groups show a smaller likelihood of being in loan defaults.

It may be important to juxtapose the findings of the RCT survey with the discussions the Evaluation team had with the AOs (and a few clients). These discussions also indicate improvement in the business practices of the clients. The AOs of the FSP who provided counselling to the MSEs reported that the clients have been soliciting advice from them and the FSP's report that the whole process helped them understand their clients much better. This could be quite true because in the normal course of business the FSPs rarely interact and understand the financial lives of their clients. In most cases, counselling helped improve the relationship of the AOs with their clients. The Evaluation team found that increased interaction with the clients went beyond the scope of the counselling. This depended on how rigorous the FSPs implemented the pilot. It also was a function of the motivation, capacity and resourcefulness of the AOs. The examples of going beyond the scope included AOs helping the clients register their products/businesses, training them on digital marketing.

In most of the FSPs where the pilot project was implemented with rigour, the AOs report that clients liked the training and counselling sessions. An important practice that the clients picked up from the counselling session was the separation of household and business accounts. Some of the other important changes at the client level as shared by the FSPs were the adoption of cash flow, improved accounting system and improved knowledge of profit and loss of the business. While there were some positives in terms of enhanced learning of the financial services providers, increased knowledge and skills of the MSE clients and the improved client understanding of the clients provided a new perspective to the FSP's to roll out bundled products.

The Project pilot was of limited duration. The time between the training/counselling and end line impact evaluation was a few months. The maximum period between the start of pilot implementation and the start of the end-line survey was 11 months. In a few cases, the end line happened immediately after the pilot was concluded. Changes in business practices may need more sustained engagement with the clients and translation of the improved business practices into improved business performance may take still longer. This is evident from the fact that most of the FSPs want that the project needs to continue and expand to other clients.

Effectiveness of trainings at FSP level

Training report on SIYB TRAINING OF TRAINER provides insights into how the trainings which formed a very core input into the Project, were conducted. The ILO certified trainers conducted this training. The FSPs submitted a total of 30 applicants for TOT. However, the trainers screened in 22 applicants after personal interviews. This ensured that a minimum intake quality of potential trainees. Out of 22, there were a total of 15 males and 7 females. However, the gender ratio does not reflect any bias by the Project as this is reflective of the applications proposed by the FSPs which in turn are guided by the gender ratio in the respective FSPs.

At the end of the training, based on the performance the Trainees were categorized into three categories based on the performance on skills attitudes and knowledge. 7 trainers were assessed as above average in the training. As for the training results, the average pre-test score of 14 increased to 41 in the post-test reflecting significant improvements in the ability to train.

Refresher training conducted in 2019 had a total of 115 trainers of which 27 were females. This training also indicated 37% average increase in knowledge. Most participants in the training felt confident to implement what was learned from this training. They stated that the training was very useful and that they gained new experience and knowledge. For

OUTCOME 3: Access to socially responsible finance is integrated into the national policies and the regulatory framework

The outcome is more sector-wide and not restricted to the 13 FSPs (and their clients) as targeted in the first two outcomes. This is important from the long-term sustainability of bringing greater client-centricity for the FSPs. Table 4 provides indicators and targets for outcome 3.

Table 5: Outcome 3: Indicators and Targets

	Indicators	Targets	Achievement
1.	Number of research and capacity development activities carried out jointly with relevant government agencies	1-2 research projects jointly carried out with OJK	Achieved
2.	Participation of relevant government agencies in the formulation of social performance guidelines and indicators	Starting from year 3, conduct at least two technical workshops to develop guidelines jointly	Training and awareness workshops held
3.	Relevant agencies supporting the financial industry adopt social performance guidelines to track the social and economic impact of financial services	Draft guidelines on SPM and monitoring of FSPs	Not achieved

The number of research and capacity development activities carried out jointly with relevant government agencies:

The Project: The Project conducted two research/studies. One entitled "Financing Small Businesses in Indonesia" focussed on challenges and opportunities in financing small businesses in Indonesia and covered a gamut of issues facing the small businesses in the country. OJK committed to taking necessary measures, as recommended in the study, by involving other government ministries and agencies.

The second study was a survey of banks in West Java. This was conducted to understand internal policies and issues affecting the supply of enterprise credit in the manufacturing sector in Indonesia. The study found that while banks were more interested in trade and services. One of the main challenges that Banks face is the limited knowledge of loan officers and credit analysts to objectively assess the risks of businesses in manufacturing. The study made a series of recommendations to improve lending to the manufacturing segment in Indonesia. It is found that the Project was able to effectively surpass the targets of this indicator.

Participation of relevant government agencies in the formulation of social performance guidelines and indicators:

The Project conducted several workshops and training at the sector level to disseminate the learnings from the Project and in general advocating a bundled services approach for the FSPs.

No social performance guidelines were formulated as such but the Project was successful in making inroads into the policy-making bodies and has been able to create awareness in the sector in general about incorporating SPM/responsible finance in their product suite. Engagement of the Project was through the training, workshops and sector studies.

Relevant agencies supporting the financial industry adopt social performance guidelines to track the social and economic impact of financial services:

The target for this indicator was the formulation of draft guidelines on SPM. Indicators 2 and 3 are related to institutionalising SPM at the sector level. However, the ground reality is that the regulators are mostly concerned about the financial health of the FSPs and the sector level risks posed by the financial risks posed by the instability and poor financial health of these institutions. In this context, concepts like SPM may appear to be a 'burden' for most regulators. This was captured in the MTR as well which made a recommendation to put SPM on hold in favour of preserving the Project resources for the other activities. Even so, the Project took steps to create awareness and sensitisation through workshops and training. As a result, OJK agreed to SPM being a 'good to have' (rather than a 'must-have') in FSPs offerings/operations. This essentially means that the SPM regime may have to be voluntary for now and this will also require more time in building consensus before it could take off.

Follow-up of Mid-Term Review (MTR) Report

Mid-Term review report made several recommendations. Many of the recommendations were for the long-term and could not have been considered within the existing timeframe of the Project. Some recommendations were already within the plan and scope of the Project and these were implemented. The Project implemented most of the feasible recommendations of the MTR within the timeframe of the Project.

MTR made a recommendation to include the stakeholders through roundtable discussions which were amply done. One of the recommendations in the report was to provide technical assistance in the areas of governance, management and business processes for an effective NFS institutionalisation. While this was done for the pilot, this could not have been done for the rollout given limited time and budgetary resources. Another related recommendation was to provide handholding support in customising NFS modules for the FSPs. Both these recommendations are for the long term and Final Evaluation (FE) also makes the same recommendation for the next phase. MTR suggested to not focus much on integrating SPM and more on NFS which was done by the Project.

MTR recommended exploring other BDS providers to provide NFS. The Project's focus in this phase was to work with FSPs. Evaluating BDS providers for a possible tie-up with the FSPs is being recommended in the Final Evaluation. The use of e-books and short videos were suggested in the MTR. The Project was already implementing the NFS related activities and it would have been challenging for the Project to take up these in the middle of the Project since the development of e-learning modules requires quite a bit of time. However, a related recommendation has been made in the final evaluation.

A recommendation in the MTR was to work with the Government/OJK to work out a feasible plan on SPM. The Project did what was feasible during the timeframe – the Project conducted workshops, training and conferences to help the sector stakeholders about aspects of SPM including NFS.

Project stakeholders and leverage created

The Project initially requested the Ministry of Manpower (MoM) for hosting the Project. This took longer than usual and finally it was OJK that hosted the Project. The delay did not seem to have impacted the implementation of the Project as OJK was roped in quite early in the Project and the support from OJK was forthcoming even as a request for Project host was pending with MoM.

The Project had envisaged a Steering committee to guide and monitor the implementation of the project. OJK came aboard the committee very soon and played a key role in not just in guiding and helping the Project with the Outcomes 1 and 2 but also proactively engaging with the Project and furthering Outcome 3. The PSC was supposed to meet annually and did not have many formal meetings - at the national level, the Project Steering Committee (PSC) last met in December 2018 to review the progress of the project. However, the Project has been able to engage OJK – OJK being the most important stakeholder in financial inclusion. The Project responded to the request from the government for advice on strengthening the enabling environment for SME finance. Subsequently, a report from this study was launched by ILO, Ambassador of Switzerland and OJK. OJK is now coordinating with various government departments to follow up on the recommendations from this report.

The Project also worked with another significant stakeholder – Ministry of Finance, crucial for influencing policies not just on financial inclusion but also for creating enabling policy environment for the MSEs. The Project established a partnership with the Ministry of Finance to support the national credit scheme called UMi / *Ultra Mikro* (Ultra Micro Credit) that caters to microenterprises. The scheme aims to provide access to enterprises that are not able to qualify for a loan under the Kredit Usaha Rakyat (KUR) programme. UMi is implemented through non-banking institutions such as *Koperasi Simpan Pinjam* / Savings and Credit Cooperative (KSPs) that receive additional capital for loans at a low-interest rate. Under this scheme, FSPs are expected to provide a combination of enterprise training and loans to the clients which are in alignment with the PROMISE IMPACT project's mandate as well. Although launched in 2017, FSPs under the UMi scheme were not providing any structured enterprise development support to the clients owing to their weak capacity. The scheme being very similar to PROMISE IMPACT, the Ministry of Finance requested assistance. The PROMISE IMPACT project trained 68 managers and loan officers from 24 FSPs participating in the UMi Scheme, through a ten-day training course. Ministry of Finance paid for organizing these training courses. The project team also provided advice and shared tools with the Ministry of Finance to monitor the results of training and counselling provided by the loan officers.

At the province level, the project engaged with the Tim Percepatan Akses Keuangan Daerah (TPAKD) which is a regional team to accelerate access to finance. In fact, in recognition of the assistance provided by the project, the Governor of West Java included PROMISE IMPACT in the formal structure of TPAKD. This has provided the Project with another window to share results, good practices with TPAKD besides building capacities of their members through the Project training.

The project did well also by leveraging the network of FSPs associations such as the associations of provincial development banks (ASBANDA) and association of rural banks (PERBARINDO). A large number of staff of FSPs participated in training and knowledge-sharing events. The project also provided trainings to the members of ASBANDA from all the 27 provinces of Indonesia while through the provincial chapters of PERBARINDO the Project reached out to 92 BPRs. Table 3 indicates the total number of Accounts/Loan Officers and other managers trained by the Project through training programs and workshops.

The Project was also able to leverage in-kind and financial contribution from the Ministry of Finance (MoF), SBFIC, and ASBANDA. The training methodology was hailed and the FSPs asked for more of this training for their staff.

Overall, the Project was able to stimulate the thinking in the sector about the issues of responsible finance and SPM by actively involving the most significant stakeholders. This enhanced the reputation of the Project and led to a demand for a follow-up phase of the Project.

7.4. Efficiency and Resource use

The key questions under the evaluation criteria were:

1. To what extent were available resources sufficient, allocated strategically, made available timely, and utilized efficiently to achieve outputs and outcomes?
2. What is the estimated balance of Project funds as of 31 December 2019?

The Project had a total budget of USD 3,012,208. The budget was spread across activities conducted to achieve the 3 outcomes. Additionally, there was a separate allocation for project management. Table 4 provides budget, actual expenses, and encumbrances. Encumbrances were committed expenses against which the payments would need to be made. Total likely expenses, therefore, includes both actual expenses and encumbrances. Components 4 and 5 cover project management budget and expenses for the Jakarta office and overseeing/backstopping support from ILO head office in Geneva. Some of the costs in outcomes 1-3 are budgeted (and shown in expenses also) under component 4. These include consultants for delivering services for FSPs, evaluation, travel etc. While not strictly project management related expenses, it was better for ILO to classify these expenses separately rather than spread these costs across the three outcomes.

	Budget	Actual Expenses	Encumbrances	Total Expenses (Incl Encumbrances)	Unspent (overspent) Budget
Outcome 1	360,048	349,712	5,297	355,009	5,039
Outcome 2	507,387	480,624	27,764	508,388	(1,001)
Outcome 3	123,333	105,382	9,641	115,023	8,310
Component 4	1,674,903	1,576,905	51,811	1,628,716	46,187
Component 5	346,537	326,801	-	326,801	19,736
Grand Total	3,012,208	2,839,424	94,513	2,933,937	78,271

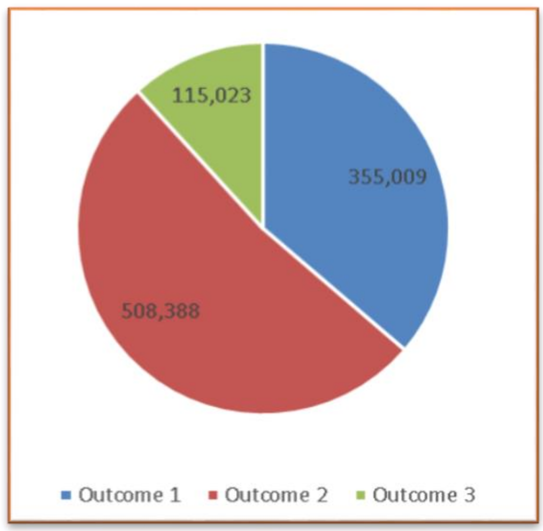
Table 6: Project Budget and Expenses

The Project had to suffer initial delays and it was indicated right at the start of the Project that the Project shall have to be extended. The Project was initially scheduled to have ended on 30th June 2018. Subsequently, the Project's timeline was formally amended to end the Project by 31st December 2019. This was a no-cost extension in that no extra budget was sought or allowed for the extended timeframe. This allowed the Project to make good for the initial time lost on account of not being able to finalise the Project host ministry within the Government of Indonesia.

Out of the total budget allocated for outcomes, the major share went to Outcomes 1 and 2 (refer Figure 2). The two together account for 87% of the total outcome budget. This is understandably so as Outcome 1 and 2 was the major thrust of the Project and therefore more resource-intensive. Within Outcome 1 and 2, Outcome 2 has more budgetary allocation (51% compared to 36% for Outcome 1) which again is reasonable and accounts for the focus of the Project on MSEs. It may be noted that Outcome 2 focussed on the MSEs in terms of client assessment survey, training, counselling and end-line survey to measure impact.

In terms of budget spent, it is seen that for Outcome 1, 2 and 3, most of the budget is spent with some overspend in Outcome 2. There is some unspent budget in Outcomes 1 and 3. Overall unspent budget for all the outcomes is USD 12,348 which is just about 1.2% of the total budget allocated to the outcomes. Conversely, more than 99% of the budget has been spent on the activities required to achieve outcomes 1, 2 and 3. For component 4 and 5 that relate to project management, 3.3% budget remains unspent. Overall, the unspent budget is low. Quarterly monitoring reports that carried an analysis of the budget spent including some reassignment between different heads ensured the budget and expenses were managed well and kept under control. Resultantly, the Project was able to finish all the activities within the agreed timeframe, without much of a variance.

Figure 2: Expenses across outcomes



The budget seems to have been efficiently spent and the no-cost extension enhanced the effectiveness of the Project by allowing more time to undertake project activities. The no-cost extension also seems to have afforded the flexibility to the Project in terms of responding to the demands of some of the stakeholders like the OJK and MoF. The efficiency of the Project is enhanced by the leverage it was able to create by mobilising financial support from MoF and SBFIC to undertake activities that further contributed to the Project outcomes.

7.5. Effectiveness of Management Arrangements

The questions related to the effectiveness of management arrangements were:

1. To what extent has the Project management Team received adequate political, technical and administrative support from its national partners and the ILO (ILO JKT and technical units ILO HQ)?
2. To what extent has the available ILO Project management Team been able to effectively manage the Project and monitor progress and impacts, and were the management systems and tools that were used adequate?
3. Was there a clear understanding of roles and responsibilities by all parties involved and did implementing partners provide sufficient support to facilitate effective project implementation?

The Project had envisaged governance structures at two levels: one national-level Project Steering Committee (PSC) and two Province level advisory committees (PAC), one each for West and East Java. Initially, the Ministry of Manpower (MOM) was supposed to chair the PSC with OJK being the key member. However, the Project had to suffer a considerable loss of time in registering the Project with MOM. While informally encouraging, MOM didn't agree to register the Project on its inventory of projects. However, OJK being one of the key members seems to have been deeply involved throughout the Project. This happened not just at the national level but also at the provincial level. This was a good win for the Project. OJK being the regulator wielded considerable power with the FSPs which helped the Project pitch itself effectively to the potential FSPs. The regular presence of OJK at training events, report launches or workshops brought much credibility to the Project and its cause.

At the level of PAC, the members included representatives from the Governor's office, OJK, Department of Manpower, Dept. of Cooperatives & SMEs. Meetings at this level did take place with the local OJK office chairing the meetings. TPKAD members were part of the PAC and in turn, the Project was also formally included in the TPKAD structure in West Java. This reflects the Project's effectiveness in building a good relationship with the local institutions. The implementing partners were supportive and were able to implement project activities within the agreed-upon schedule.

The Project worked with a lean team at the management level. Besides the Chief Technical Advisor, there is one Project Officer in each of the two provinces (East Java & West Java) and a National Project Coordinator and Administrative and Finance Assistant based in Jakarta. This looks like an adequate management structure as the Project hired consultants to conduct activities like workshops, training and research. The Project Officer in East Java left during the Project and the second hire for the Position also had to face budget constraints. This might have affected the Project in East Java even though the National Project Coordinator covered for the position of East Java. What could have helped the Project more might have been to include a team member with experience in finance and banking and working closely with the FSPs. This might have helped the team engage with the FSPs and in some cases also re-tuning the expectations from the FSPs. The Project team in Indonesia was supported by the back-stopping support from ILO at Geneva. There were clear roles and responsibilities between the team members in terms of their job profile and the team worked with good coordination to achieve the Project results.

The Project used consultants for some of the core activities. These consultants were earlier trained in ILO courses. The consultants were re-trained which indeed was a good strategy. This meant that some of the core activities like training of the FSP staff did not have to start from scratch as the Project could leverage on ILO's earlier training investments in the local consultants. The consultants trained the FSP staff in TOT and TOC for further disseminating training and providing counselling to the MSEs. Lean structure and hiring consultants on need basis were cost-effective as this approach avoided a lot of fixed costs on human resources.

One of the strategies of the team was to continuously engage with significant stakeholders. The team did well. By roping in OJK very early, the Project was able to effectively roll out its various activities. This perhaps ensured an effective interface with the FSPs which was key to finally piloting the non-financial products with MSEs. The Project also interfaced with other stakeholders within the sector. In addition to OJK, the Project worked with MoF, MoCSME, ASBANDA, PERBARINDO, SBFIC, International Finance Corporation (IFC), MicroSave, SAFIRA, and Women's World Banking, etc. All of this helped the Project create an enabling environment and weigh upon the significant stakeholders to adopt and integrate SPM in financial inclusion. The project was also able to leverage its existing resources in training for the MoF for its UMi program. Also, the Project mobilized additional contributions from SBFIC for a training course on product diversification.

Another good strategy adopted by the Project was to solicit Expression of Interest (EOIs)&B from the FSPs. This made sure that only those FSPs who were more serious about implementing SPM in their operations applied for the Project. Thorough due diligence of the FSPs before finally selecting them for the Project also ensured that FSPs with good governance and management teams were selected. Post-selection, the Project seems to have also engaged quite extensively with the FSPs through workshops, one to one meetings, learning workshops, and training, etc.

The Project team did very well in the implementation of the Project and managed to achieve outputs and outcomes possible within the design and timeframe of the Project. It appears that monitoring and reporting formats of the Project outputs and Outcomes could have been a little better. The reporting format does not have a very clear comparison for all outcome indicators between target achieved to-date versus target until the end of the project. It would have been better to use the results framework format to objectively track the targets and indicators. The narrative as already provided in the half-yearly report could have been in addition to this. The same observation goes for the Outputs as well which are not tracked as per the format of results framework. Partly, it may be that the ILO's fixed format of reporting is one of the reasons behind this. For example, the format allows for percentage completion of output but there is no space for tracking the targets as specified in the logframe. The percentage is based on a proportion achievement realized on an output. The half-yearly reports do explain why this is done though. For example, a footnote in the 8th half-yearly report says "The logframe or the work plan does not typically show outputs in quantitative terms. Here in the progress report, it is used to give a general indication to the reader where we stand". The logframe has a lot of objective indicators for both outcomes and outputs. These could have been simply reported in a 'target' and 'achieved' format along with narrative which was already provided in the reports.

7.6. Impact, Sustainability, and Future Orientation

The key questions under the evaluation criteria were:

1. To what extent can the Project's achievements be sustained and replicated at various levels without further external support, beyond December 2019?
2. To what extent has the Project achieved its envisaged impact?
3. Given the Project's achievements towards its envisaged impact and outcomes, together with the assessment of the achieved level of sustainability and replicability, provide recommendations as to whether a follow-up phase of the Project will be justified and required. Provide suggestions regarding directions, strategy, scale, and duration for such a possible next phase.

Impact

One of the outcomes of the Project was the alignment of FSPs' offering to the needs of the MSEs through innovations. A related outcome is that the MSE's benefit from the innovative services in terms of improved business practices and therefore improved business performance. The whole arrangement of FSPs offering the NFS was envisaged to prove a business case for the FSPs – this meant that FSPs would accrue net benefits from offering NFS.

The Project has been able to establish that it is possible to create a 'bundled products' model of the FSPs providing non-financial services that are aligned to the needs of the MSEs together with financial services. The Project conducted the needs assessment through a client assessment survey. The pilot interventions consisting of classroom training and counselling responded to these specific needs. Eventually, 8 partners out of 13 that conducted the pilot agreed to carry on offering counselling and training to their clients. This resulted from benefits that accrued both at the client and institution level. All FSPs that the evaluation team met except for one FSP, shared that there were benefits that they see from the NFS offered to the clients.

The FSPs (and the few MSE clients that the team was able to meet) reported the following impacts of the Project interventions on the MSEs:

- Practical skill in performing separate accounting for business and household: this benefit came up very prominently in all the discussions the team had with the FSPs and the MSEs. The skill helped the MSEs evaluate their business performance better through better cash flow management.
- Improved knowledge and skills in calculating costs and arrive at the appropriate price for their product: very importantly the MSEs learnt to include their labour as a business cost as the Project counselling and training helped the MSEs with practical skills in costing and pricing
- Improved business profitability through more efficient business and cash flow management
- Innovative ideas for marketing: many MSEs were reported to start digital marketing of their products
- Networking: this was more of innovation by some FSPs but the trained MSEs were provided with the opportunity to learn from each other as the FSPs provided them with a platform to share and learn from each other.

"It is challenging for us to provide counselling by reaching out each member separately to the member as the location is scattered. We call the clients for counselling at one place and provide counselling on a one-on-one basis. While the other clients are waiting, they exchange information and network. They share tips for business and even detailed technical knowledge. This helps them learn from each other. Our counsellors are happy as they may not be able to provide many practical tips that the members provide to

As for the benefits for the FSPs, in general, the AOs valued NFS as something that changed their outlook. The most widely hailed outcome of the training and counselling was that the FSPs (AOs) got to understand their clients better. The second most resounding benefit was that the relationship between the AO and the client improved which in many cases translated into improved repayment behaviour. The Project led to a lot of innovations and practices that the FSPs and their staff.

At the FSP level the following specific benefits were reported:

- Understanding about clients improved: this happened both at the institution and AO level. The initial client assessment survey and later the counselling sessions and training brought immense institutional learning. Most FSPs reported that they never looked at their clients and their businesses in the same way as they were able to see them now. The FSPs shared that the inputs from client assessment and AOs feedback from their interactions from clients helped them think about the suitability of their products and also offering new products.
- Improved relationship with clients: Not unrelated to the above finding, the FSPs reported that the clients that underwent training and counselling had an improved relationship with the AOs and this in some cases led to better repayment rates.
- Both the above also led some of the enterprising AOs to innovate and go the extra mile to help their clients. These AOs looked at the potential of helping their clients with better business education. In some cases, they directed the clients to potential business opportunities or helped them register business/products with the help of their legal department. Some FSPs also ensured that clients learnt from each other by offering them opportunities or networking platform to meet with each other in small groups. The drivers in such cases were stronger relationship with the clients, the likelihood of improved portfolio quality, and the possibility of increased loan sizes and potential of other clients taking up loans. It was found that such cases were in most FSPs though not all AOs took such initiatives.
- Better repayment rates due to separate accounting for business and household: in some cases, better repayment rates also resulted from better business and household cash management as the clients were able to forecast the cash flow arising out of the loan, business and household.
- Improved loan sizes/top up and increased savings: in many cases, the clients went for loan top-ups and increased the portfolio. In one case the FSP reported having increased savings under one of their savings products (see the box on "Non-financial services and implications on financial services")
- New and improved training modules inspired by ILO training: some FSPs reported that they were trying to build adult learning training principles in their training.
- Improved internal communication: FSPs reported that the ToT for the AOs, their further experience in training and providing counselling to the MSEs helped the AOs improve their communication skills. The AOs started to participate more effectively in the internal meetings. In many cases, the performance of AOs improved with some of them securing promotions.

> *"Usually at the meeting, it is a one-way communication, from my side only. But after they (AOs) joined the training, now it is two-way communication, we discussing more and they came up with ideas and suggestions. They performed better in their job that makes some of them get a promotion now"*
>
> *Boy Ferli, Director BPR Kerta Raharja, West Java*

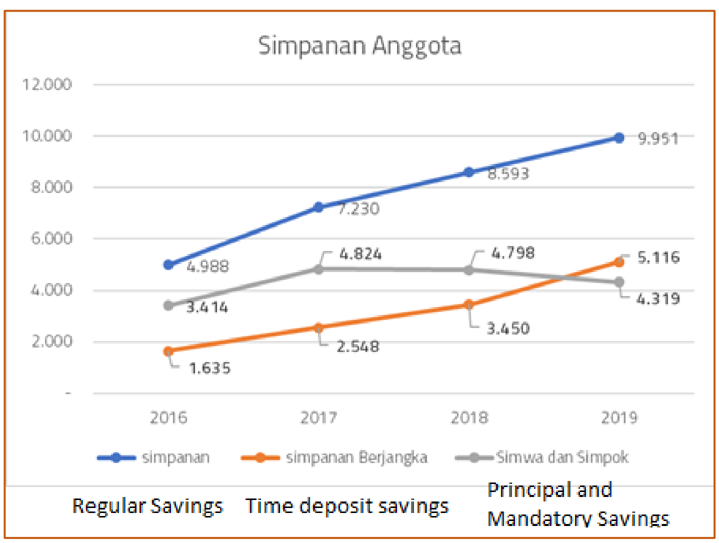
Struggling women entrepreneurs find support from Husbands

Puskowanjati a secondary cooperative in Malang manages 39 primary cooperatives with total 40,000 women members. Under PROMISE IMPACT Project the Cooperative offered NFS (counselling and trainings) to 520 members. The positive feedback of the NFS in the community meant that more women started asking for it. Micro-enterprise and start-ups benefited a lot. Additionally, the women entrepreneurs who had no support from their husbands benefitted the most. These women started maintaining separate accounts for household and business and were able to demonstrate to their spouses that they too are bringing income home. This resulted in

The end-line study conducted immediately after the pilot on NFS (training and counselling) was concluded offered somewhat similar outcomes. Around 87% of the respondents considered training as helpful, while 80% reported the same for counselling sessions. This is buttressed by an average attention score of 8 in training and 7 out of 10 in counselling. In terms of change in business practices, the report informs that there is a sizable increase in the share of clients who include a cash flow analysis in their business plans. It further points out that given the importance of fitting loan payback schedules to the business cash flow, this result is meaningful and could allow clients and FSPs to better harness the mutual benefits of their cooperation. On the FSP side one of the largest benefits of the program, the end-line study report documents, is a deepened understanding of the loan officers for the working environment of their clients. All of these observations of the end-line report are confirmed by the independent evaluation as well.

The evaluation concludes that even in the short run the Project was able to result in many positive outcomes. It may be mentioned that the outcomes were achieved even though the Project was run as a pilot. This means that implementation of the non-financial services was done with randomly chosen clients which did affect the effectiveness of the pilot, especially the counselling. In many cases, the ILO trained AOs had to provide counselling of the clients they did not know. This posed a challenge in terms of building the initial rapport which in many cases could never be built. Since the clients were randomly located it posed logistical challenges for the AOs to reach out to the clients. There were also social issues related to AOs visits – the clients were scared about neighbours thinking that there were repayment issues with the clients. Other more usual issues like availability of time also impacted counseling.

Figure 3: Savings increase as a result of NFS



Some of the impacts of the pilot went beyond individual MSE clients and the FSPs. These point to a more long-term direction of the Project. As reported earlier the NFS pilot led to cases of top-up loans in some cases. However, in 2 cases the NFS also led to more transformational changes. One FSP reported, as shown in Figure 3, the increase in savings in one of its savings products as a result of training and counseling. The continued interaction with the clients led to auto-marketing of one kind of savings product that the FSP already had in its suite. In another case, the clients raised a demand for a more suitable business loan for them. This made the FSP explores the possibility to develop and offer a more suitable financial product for MSE clients. Both these cases point to how well-designed bundled products (financial and non-financial) could potentially impact the MSEs. These instances also inform the future direction of the Project.

It was noted that the FSPs who implemented the pilot with relative vigour showed more promising outcomes in terms of better client satisfaction and changes in business practices. This also resulted in an impact on AOs own motivation in counseling and training the clients. As the AOs noticed positive changes that included changes for their good in terms of potentially better portfolio performance, many of the AOs started to innovate. The commitment of top management and institutional culture seems to have dictated vigour of implementation. Most Cooperatives implemented the pilot with a lot of vigour and seriousness. Some bigger banks (BPDs) also implemented the pilot more seriously, possibly also on account of better internal systems and facilities. There is greater demand from these FSPs for further continuation of the Project.

However, even for the FSPs which do not plan to carry on with the NFS at the institutional level currently some of their trained AOs are carrying on with the NFS in their capacity. As the AOs realised that there were benefits in helping the clients some of the AOs went that extra mile in helping the clients outside of counseling sessions. For example, in one BPR which is not implementing NFS for now for reasons of change in governance and management, the trained AOs are helping their clients with their new-found knowledge and skills. Some of them are going the extra mile to help the clients with business registrations, digital marketing, safety licenses etc. Clearly, for some of the AOs, the SIYB training went beyond the expected outcomes.

Staff says Yes to NFS

One BPR implemented the NFS pilot with much gusto. However, the BPR decided not to offer NFS after the pilot. Even so, the AOs shared that they continue to offer NFS support to their clients in their individual capacity. Some of the examples shared are:

1. Helping a fisherman who was struggling with low prices, by linking him up in the supply chain.
2. Improving some clients with registering their business of crackers with the Ministry of Health and MSMEs, improving logo and adding contact number on the pack so people could place orders. AOs consider these as highly rewarding returns.
3. Involving children in the counselling sessions in cases where parents are older to increase the efficacy of counselling

In another case of FSP - a BPR, the bank sought to enhance its competitiveness using some of the learnings from PROMISE IMPACT. The BPR focussed on trading sector clients which are relatively easier in terms of credit analysis. The BPR always knew that their AO's would not be able to compete with the commercial bank staff in terms of credit analysis and cash flow analysis of the manufacturing sector clients. Moreover, the BPR could not invest in building the credit analysis skills of their AOs. The engagement with PROMISE IMPACT helped the BPR and their AOs with a greater understanding of their manufacturing clients which was only 0.8% of their portfolio. The BPR adopted some of the tools from the Client Assessment Survey (CAS) which was used by ILO for a baseline survey of clients. The FSP built elements of CAS in the Standard Operating Process (SOP) of their loan process to evaluate the clients. Although the BPR is not continuing with NFS, they have internalised some of the learnings from PROMISE IMPACT. The impact on their client has been in terms of a better understanding of financial planning and improved bookkeeping. Client loyalty increased as a result of this. It helped the AOs in achieving their target to acquire new clients. The BPR acknowledged improvement in AO performance and communication skills. As a result, most of the AOs trained by ILO were promoted.

Cooperatives stand out in implementing and following up on providing NFS. By dint of their social orientation, these FSPs implemented the pilot far more seriously and showed better outcomes both at the client level and also for the FSPs. Though all the FSPs would like to carry on with NFS (regardless of whether they have immediate plans to implement NFS or not), the Cooperatives are more eager to train more of their AOs and roll out NFS to other clients as well. One of the Cooperatives, *Baitul Maal wat Tamwil* (BMT) Itqan in West Java, has floated a new division called Member Benefits Service/Layanan Manfaat Anggota.

"Financial is not the only factor for our member. Our member should be educated, they should be intelligent. Now the program between commercial and social should be synergized"

This new division program conducts training for AOs on counseling and conducts a regular program on entrepreneurship training' called PELWIRA for its member clients. Three staff are working in the division – all previously trained by ILO. The division has a target to conduct one PELWIRA for each branch in a year. After PROMISE IMPACT pilot, this division conducted 4 batch training of PELWIRA with 300 participants in each batch. The training module was inspired by ILO training.

The impact from PROMISE IMPACT for BMT Itqan came in the form of an increased savings amount in both regular savings as well as time deposits (see Figure 3). The increase in savings is a direct result of the training on financial management that encouraged members on financial planning in their household. Many other innovative practices in expanding the NFS came from the Cooperatives though BPDs also showed a lot of initiative. Regardless of different types of FSPs that participated in the PROMISE IMPACT project has been able to bring sensitisation around SPM in the FSPs. NFS implementation may be varied owing to different approaches and resources available with FSPs. Some FSP found it challenging to formalise integration of NFS immediately after the end of the Project as they are amidst other important organisational changes – changes in their top management or other operational changes.

PROMISE IMPACT has challenged FSP in ways that resulted in new strategies and initiatives for SME education. Several FSPs surprisingly found other unexpected benefits by offering non-financial service. This was truer in cases where the FSPs implemented the Project with more seriousness. Some FSPs innovated by creating networking opportunities amongst clients thus providing the MSEs to share and find a solution within their sector cluster. Enriched FSPs knowledge about MSEs potentially prepared them for offering better financial products to the clients.

Largely it was the women who benefited from the program. This was since most Cooperative FSPs who implemented the Project with more rigour focus largely on women. It brought more confidence amongst women that their business is generating income as evidenced by simple accounting put in place by the women based on learning from training and counseling session under the Project. Reportedly, there is a high demand from the non-participants to undergo the training and counselling.

Sustainability

The sustainability of the Project may be seen from two perspectives – one if the FSPs see a business case in providing NFS and second if the Project is able to influence policymakers to come out with policies that ensure social performance, possibly including NFS.

8 of the 13 FSPs who signed up for the NFS pilot implementation have agreed to sustain and roll out bundled products. Therefore, operational sustainability has been achieved. On the financial sustainability for the FSP, the RCT study conducted cost and benefits analysis at both FSPs and the MSE clients' level. The study notes "…these results are rather adverse from the point-of-view of the FSPs, a positive effect is that the client retention rate increased significantly by 4.4 percentage points among clients who received training only compared to the control group". In general, the conclusion is no different from the final evaluation findings where the FSPs feel that short-term financial sustainability may not be possible. From this perspective, the performance of the Project can be said to be satisfactory.

FSPs did share that while it may not be possible to have received any net benefits in such short a term most FSPs realise that benefits will come in the long-term. As a result, 8 FSPs have agreed to take forward NFS in their operations and this shows FSPs do see positive benefits of the Project in the long-term. The plan of each FSP in carrying forward the NFS is variable. The ideal would have been for the Project to provide handholding technical support to customise NFS products for the FSPs. From the discussions with the FSPs, it appeared that for some it is going to be a watered-down version of NFS implemented under the Project. This may include just interacting with the clients more about their business when the AOs go on client visits. One of the FSPs - a BPD - has the training facilities to conduct training and has a training calendar that will find the slot for ILO training. 2 Cooperative FSPs have specific cells/divisions that will implement the NFS. The FSPs are still discussing internally as to how to best integrate the NFS with their operations. Most struggle with the lack of more trained AOs. They would like ILO to train more of their AOs. Perhaps if the Project ran a little longer some support to the willing FSPs in formalising the NFS and training more of their staff could have been done.

An Accidental innovation

To meet the challenge of increased cost of reaching out to individual clients for counselling and improve efficiency of AO one FSP called their clients in groups at one place. The idea was to provide one to one counselling session. While one client went in for counselling session, the other clients networked and discussed business issues, shared business tips with each other. Completely unintentional, the FSP realized the discussions outside the counselling room were equally valuable as the clients discussed issues that the FSP's AO could not have responded owing to their limited exposure to business issues. The FSP would like to

The FSP that decided not to carry forward the NFS to their clients all seemed to have an underlying financial concern of offering NFS. The charge on the available time of the AO meant that it adversely impacted their client caseload and ability to perform their usual duties. The AOs of these FSPs found it difficult to manage the time between their 'core' responsibilities and the responsibility to offer NFS. As all but one FSP acknowledged benefits from NFS. Even the ones that don't have plans

Sustaining NFS beyond the Project

Baytul Ikhtiar (BAIK) is one of credit cooperatives that want to continue providing NFS to members even after PROMISE IMPACT ends. BAIK had been an enthusiastic partner since the beginning of the program, keen to implement the training and pilot activities under the guidance of ILO. In fact, the FSP was so keen to know the results of endline survey of the training and counselling that they didn't wait for a formal report and rather conducted their own small survey. This reflects that the FSP was really positive about the inputs provided to the members. Like other FSPs, BAIK benefited from PROMISE IMPACT in terms of members' improved bookkeeping skills, separation of household and business accounts and better understanding of profitability. The continued use of financial planning tools translated in demand for 'business loan' from BAIK. The FSPs own research showed that 87% of the sample clients would like a 'business loan'. As a result, BAIK is thinking of developing a loan product that addresses the business cash flow requirements of their MSE clients. BAIK would need support for developing a business loan product.

BAIK has plans to incorporate NFS in their planning for 2020 as well. It has planned to conduct capacity building training for all Field Assistants (equivalent of AOs) and need further support from ILO. BAIK is acutely aware that even if they have sufficient fund to pay for trainings, they to offer NFS owing to operational or financial reasons would prefer if NFS was offered by a 3rd party. If this happens these FSPs may lend support and market/distribute the NFS to their clients.

At the sector level the efforts of the Project in creating awareness which is sustainability and will provide a solid ground to begin the next phase. At the sector level, the Project hosted conferences, conducted workshops and training that involved key players of the sector including ASBANDA, PERBARINDO, OJK, MoF, MOCSME and other significant players like SBFIC. No specific policy on responsible finance/SPM could be introduced as indicated in the results framework. This was an ambitious target given the short timeline of the Project. Additionally, regulators with their hands full on regulating and supervising the core concerns of financial sector shy away from issuing any policy/regulatory decree on issues like SPM. This is the case with other countries and is no different in the case of Indonesia.

Even so, the Project resulted in some positives in terms of the major sector players recognizing that bringing in social performance/responsible financing into FSPs operations will likely pay economic and social dividends in terms of improved MSEs and therefore more bankable MSEs. OJK indicated discussing and taking forward the recommendations made in the demand and supply-side research on access to finance for the MSEs. The impact of the sector level work has been more at OJK level which has specifically indicated the Project to align itself for the next phase with its work with BPR strengthening. This is also evident from the OJK's desire to engage with a potential next phase of the Project. While some more efforts need to be made in the direction of issuing a voluntary SPM code by OJK, in-principal acceptance of SPM for growth of MSEs is the first good step, considering the limited timeframe of the Project. The Project was requested to conduct training, conduct more sector-level work and was advised to carry forward the work through a follow-up the second phase. Overall, the groundwork has been laid for a more responsible financing regime. The steps to build on this groundwork have been discussed in the section on recommendations.

The Project could have theoretically engaged more with SNKI which is the new institution created to further financial inclusion in Indonesia. However, SNKI came into operations in early 2017. SNKI needs help on several areas including technical assistance and it is not clear how the Project could have any deep engagement with SNKI. The Project did, however, engage with SNKI through workshops and soliciting inputs on sector research etc. With SNKI seeking more scope on the impact side of financial inclusion, the Project could create deeper engagement with SNKI in future.

The Project's envisaged outcomes continue to be relevant in the present context also. The momentum of the current project that seems to have created a certain orientation in the sector about responsible financing/credit +, it needs to be continued. This is possible through the next phase after incorporating learning from this phase.

Future orientation

It is recommended to go for a follow-up phase to the current phase to build on the achievements of the current phase, use lessons learnt and expand the work done in this phase. This section draws from the lessons learnt and the recommendations sections below. The following project design features are suggested for the next phase

Duration: A 4-year project may be conceived with 6-9 months of preparation time. The preparation phase may include testing assumptions, modifying results framework, expanding team, finalising service providers, short-listing partners etc.

Partners: Partners may include existing FSPs who are rolling out the NFS. Existing FSPs who temporarily shelved the plan for a rollout may be approached again. It is also recommended to look for a commercial bank keen on expanding to MSME and focussed on (willing to focus on) the manufacturing segment. BDS providers such as Integrated Business Services Centres for Co-operatives and SMEs may also partner with the Project. FinTech companies interested in partnering with the FSPs or interested in reaching out to MSEs may also be considered. 12-15 partners may be selected.

Sector: Micro and small enterprise with focus on manufacturing but other sectors need not be excluded

Geographical location: focus on East and West Java because of heavy concentration of MSEs in manufacturing. If the FSPs have operations in other geographies, they may implement the Project in those geographies.

Products: support and technical assistance in the areas of:

a) SPM integration: if there is a need felt based on the institutional assessment the TA plan may include technical support in strengthening the management, business processes, financial product development, and information systems.
b) NFS deployment: in case an FSP would like to only go for NFS rollout the Project may provide TA in strengthening the management, business processes, and information systems. This will depend on the institutional assessment and if the Project thinks there are aspects of governance, management, human resources or processes that need to be changed for proper implementation of NFS
c) Digitalisation support: will depend on the specific needs of the FSP. There could be some support that could be available on tap for all the FSPs – examples may include credit scoring utility/tools, client on-boarding tools, etc or even an integrated solution that incorporates all the lending workflows. For others, their specific need will need to be assessed.
d) E-learning modules and apps for the MSE clients: these may include modules on digital marketing, product differentiation, compliance and regulations in the Indonesian context. Apps may include accounting or revenue/expense management features.
e) Collaboration support with BDS providers, FinTech companies: There is a possibility to bring aboard FinTech companies who have relevant solutions for the FSPs – for example, if there are FinTechs that offer integrated or part cloud-based solutions that can help the FSP enrol clients, perform Know Your Customer (KYC), generate credit bureau reports (if possible) and credit analytics. If possible, the solution may include SPM reports as well.
f) Setting up of a Self-Regulating Organisation (SRO) for reporting on SPM: the solution is sector-wide and may include helping relevant stakeholders build consensus on modalities of the structure and operations of SRO.

Operating model: The Project may call for 'Expression of Interest' and will make a shortlist of partners as indicated above. An institutional assessment may then follow that will include looking at the mission, vision, governance and management capacity to implement the project. Once shortlisted a one to one technical assistance plan may be developed with each selected partner. A clear mention of other partners (for example BDS providers or FinTech) if required, may be made in the TA plan. A curated TA plan will need to be made for each partner as each partner may have a different need for the products. Within each product selected there will have to be a scope – for example, what digitalisation support is needed and what level of SPM integration is feasible or if the FSP would like to offer NFS in-house or partner with a BDS. All these issues will need to be sorted before the implementation begins. An MoU will be ideal after the TA plan is agreed upon.

For the sector-wide interventions on the SPM policy reform, the project may have the goal of setting up a Self-Regulating Organisation (SRO). This will have several activities. For example, workshops and round table discussions to find an SRO model, ensuring consensus on a feasible SRO structure, its mandate, powers, and roles as well as the criteria and responsibilities of the members. A lot of advocacy work will need to be done and like the last phase, OJK's support will be extremely important. The project partner may be the first lot of FSPs reporting to the SRO every month.

Human resources: the team may be led by a Project Director who shall oversee a team of TA Managers. The TA managers will be local consultants who have experience of working with the FSPs in the area of business advisory. Also, some local or international thematic experts on digital finance may be recruited on a short-term basis. Each TA Manager may manage the TA relationship with a couple of FSPs/other partners. The team may be backed up by the ILO's head office as is normally done.

Gender related observations

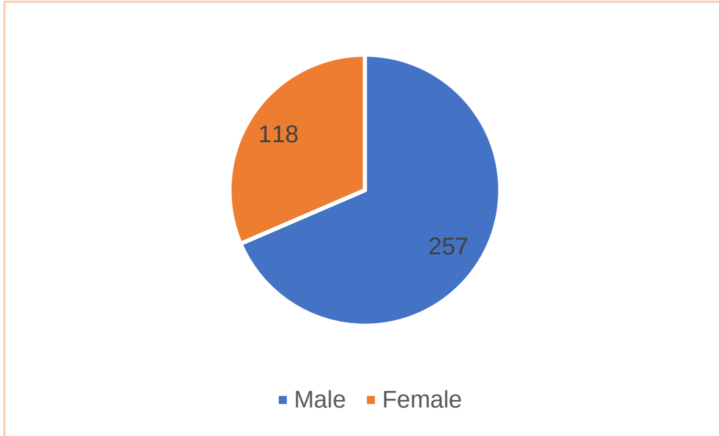
The Project's results framework did not have elements related to gender mainstreaming. There are no outcomes that specifically target the gender dimension and accordingly there were no activities planned around gender issues/mainstreaming. The internal 6-monthly reports also make no mention of gender. However, gender concerns are a part of ILO projects and accordingly part of the evaluation as well. The project by dint of its focus on MSEs had to focus on women regardless of the absence of any agreed mandate around gender.

The Project eventual interventions like MSE training and counseling focussed more on women. This is because a good number of FSPs focus on women clients. Of the 13 FSPs, there were 6 cooperatives that serve predominantly women clients as individuals or in groups. In these cooperatives, the higher management staff includes predominantly the women and the Project worked with these staff to pilot NFS. Even the MSE portfolio of BPDs and BPRs contains a large portion of women clients. As informed by the Project, 70% of the MSE clients trained were female.

RCT study report confirms that 86% of the clients who report having participated in the program were women and this includes the clients that went through counseling also.

Among the FSP staff that were trained (1,212 persons trained from FSPs and government combined) on an average 29% were female. For loan officer selection, and other training participants, priority was given to female candidates. The limited number of female loan officers in BPDs and BPRs however, made it difficult to include more female candidates. The adjoining graph indicates the gender break-up of participants in the capacity building and knowledge sharing events in the year 2019.

Figure 4: Gender Break-up of participants in trainings and knowledge sharing events in 2019



8. Recommendations

The recommendations for the Project are provided below. Some recommendations are about low scale and heavy impact and a few others are for large scale but low impact. Some recommendations are related to project management and structure.

1. Expand the Project through a second phase

   The Project has made an impact on the MSE clients as also on the FSPs – especially the ones who took the pilot more seriously. There is a demand by most of the FSP for the continued support from ILO to institutionalise SPM and NFS. There is also an opportunity to take the current project to the next level by including interventions that could substantially enhance the impact on both the FSPs, MSEs and other stakeholders.

   It is recommended that a follow-on phase of the Project with greater resources to respond to the demand for NFS by the MSEs and need of the FSPs for technical assistance to offer client-led financial and NFS products. The recommendation for the follow-on phase is well aligned with the key stakeholders OJK and SNKI's priorities for the next couple of years. Existing synergy with OJK, a potential partnership with SNKI and already laid groundwork around SPM in the financial sector could be leveraged for the next phase to demonstrate the implementation of responsible finance and NFS for the MSE.

2. A 4-year project with flexibility to update results framework and revise budget after 1st year

   PROMISE IMPACT project was for 3 years. For any project usually, a good part of the first year is spent in understanding the environment and getting key stakeholders aboard. By the time the Project is in full swing, it is often the end of 2nd year. A 4-year Project will provide enough time to the Project team to experiment, implement lessons learnt during the first year within the Project timeframe and improve the Project results. This, however, may need a change in the design of the Project. While a complete overhaul may not be necessary, some changes in the indicators, targets and activities may be anticipated and encouraged. For example, change in partners, leaving out some indicators in favour of others, investing resources on activities for the more promising outputs/outcomes of the Project may lead to better outcomes as the early Project learnings get implemented within the Project timeframe.

3. Consider a maintenance phase before the full-fledged 2nd phase

   The momentum built during this phase needs to be continued. The 8 willing FSP need more support in training more of their Accounts officers, institutionalising aspects of SPM. This will prepare them for the next phase where some of them could be role models for other FSPs and a lot could prepare themselves to receive further support on digitalisation, product development etc in the next phase

4. Apply scope of SPM differently to different FSPs – scope ranging from SPM in its basic form to the one that includes NFS with business training and counselling

   It is recommended to keep SPM and NFS as two different initiatives even though NFS could be a sub-set of SPM and contributes fully to SPM. It is easier for the FSPs to adopt SPM as compared to NFS like business counselling and training which may need additional financing. Multiple legal formats of FSPs, varying willingness to offer non-core products and varying capacities and resources of the FSPs make it hard to adopt a singular approach to enhancing responsible finance and making an impact on MSEs. SPM may be offered to all the willing FSPs while for NFS an institutional analysis may need to be performed to see if the FSP can sustain providing NFS beyond the Project period. Table 5 indicates the ease of deploying various solutions with different kinds of FSPs.

5. Follow-up training with Technical Assistance for institutionalising SPM and/or NFS

   While sector level training is good for raising awareness and educating the sector about the importance of SPM and NFS, there is a clear need from the FSP for help in integrating SPM/NFS. Some partners have been able to tale baby steps to do this, all the FSPs need technical assistance to help in institutionalising SPM/NFS. It is recommended to follow-up training with an offer of TA for SPM and/or NFS depending on the FSP partner.

6. Develop customized strategies for different groups of FSPs and differentiate even within the FSPs – tailor-made credit+ approach

   As noted above SPM could be offered to all the willing FSPs while there needs to be a graded strategy of offering responsible finance solutions for various groups of FSPs. Cooperatives would be willing to adopt and institutionalise SPM and also offer light touch NFS bundled with their financial products. Cooperatives would also be able to offer an integrated bundle which means they would be able to create structures within their organisations. However, Cooperatives would not be able to respond to the complex technical assistance demands of their graduating clients.

   Most BPDs and BPRs should be able to at least offer SPM but only a few may be willing and able to offer NFS. This would most likely have to be in collaboration with a 3rd party service provider. Table 5 ranks each FSP type on the ease of offering and implementation a responsible finance product/solution

Table 7: Ease of Implementation Ranking of FSPs on different responsible finance interventions

Possible responsible finance products for Core Partners of PROMISE IMPACT Phase II	**BPR**	**BPD**	**Cooperatives**	**Commercial Banks**
SPM - NFS – Counselling and Business Training for MSEs – Bundled service approach	★	★★	★★★	★★
SPM - NFS – Counselling and Business Training for MSEs – 3rd party	★★★	★★★	★	★
Distribution of e-learning Apps and Business Apps	★★★	★★★	★★★	★★★
SPM – Product Development	★★	★★★	★★★	★
SPM – institutionalisation	★★	★★	★★★	★
Digitalisation	★★★	★★★	★★★	★
Technical Assistance on organisational strengthening	★★★	★★★	★★★	★

7. Differentiate between delivery (in-house) v/s distributing/facilitating (use of 3rd party) of NFS

There needs to be a difference between FSPs as delivery structure or just a distributing structure. Not all FSP can or want to deliver NFS. However, most FSP would like their clients to receive NFS as PROMISE IMPACT has demonstrated the positive results of providing NFS. For example, Cooperatives would still offer effective delivery structures. The BPRs and BPDs would rather have the NFS delivered through a 3rd party. However, willing BPRs and BPDs may market and distribute the NFS for their clients. This differentiation may be considered in the design of the next phase.

8. Use of third-party business development service providers to offer NFS for the FSP clients

   It is a tough question to answer if all FSPs can create the best delivery structures for offering NFS. The answer is perhaps not, given their business priorities and legal formats. For the FSPs that don't want to or can't deliver NFS may be offered the services of a 3rd party business development services provider. One source could be the Integrated Business Services Centres for Co-operatives and SMEs (PLUT-KUMKM). This is a collaboration between the Ministry of Cooperatives and SME and local governments. These centres intend to provide standardised services in areas such as management advice, assistance with legal affairs, marketing and digital technology.

   However, these institutions will need to be trained by ILO using ILO's methodology to enable these institutions to deliver. ILO will have to engage with the relevant stakeholders governing these institutions to make sure that these institutions can collaborate with the FSPs and provide effective training to the FSP clients on an ongoing basis. It will go a long way in terms of creating sustainable models if ILO can showcase a collaborative model between FSPs and these training institutions.

9. Increase the range of products for MSEs to cater to scale and breadth of financial services – use of mobile apps, e-learning modules

   PROMISE IMPACT's offering on NFS is a deep intervention that needs time and resources to engage the MSE clients but the impact could be higher especially over the long term. However, there could be some products that could be distributed with relatively small effort and yet make a wider impact. PROMISE IMPACT's counselling and training included cash flow management, accounting and marketing. Next phase of PROMISE IMPACT could explore developing easy to use apps on cash/expenses recording, accounting and self-paced e-learning modules. Most of the FSPs agreed that these tools will be very useful. Additionally, it would be easy to distribute them through commercial banks, BPDs, BPRs and Cooperatives. Partners like OJK, ASBANDA and PERBARINDO etc. can help distribute these. The core Project partners may also report the usage of these apps by their clients and provide useful feedback in terms of how many clients use these apps and if there are any changes to be made. Exact nature and scope of these solutions may need some more deliberation. The recommendation was also made in the MTR but was not within the current scope of the Project and may be considered for the next phase.

10. Provide curated TA on aspects of SPM - Product refinement/new product development

    Different FSPs may have different needs for SPM implementation. Most, however, will need support in developing products that meet the needs of their clients. It is recommended to provide product development or any other institutional strengthening support in aid of implementing SPM. There is a good example of an FSP in the current Project whose clients wanted to save more as a result of NFS and the FSP already had a product for these clients.

11. Support with the digitalisation of FSPs

    The FSPs, especially the BPDs and BPRs, are facing impending competition from Fintech companies. While being physically present on the ground, the BPDs and BPRs are ceding ground to the Fintech companies. One of the reasons is the usage of digital technology to onboard clients and service them using easy to use digital tools like mobile apps. Digitalisation is also intricately linked with product development as well and could potentially bring more efficiency and reduce risks for the FSPs. Since this is in line with the strategy of OJK for the BPRs going forward, it will be strategically important for ILO to support the digitalization of partner FSPs. Digitalization solutions could be mixed and matched to address a range of functional requirements of the FSPs - core banking, client registration and management, the credit assessment, loan portfolio management and like. This will improve operational efficiency for AOs and will aid faster credit decision making. Digitalisation could also help the FSPs with early warning signals on credit risks. FinTech companies may be involved to partner with the FSPs or if any such companies have products for the MSEs they may be involved as well.

    ILO will need to delve deeper into what might a good leverage point for the Project to be able to influence the efficiency and risk management of FSPs. It is clear that even at this stage different FSPs will have different needs for digitalisation. Some of the entry points that ILO could consider (subject to a round of institutional assessment and digitalisation needs assessment and regulatory assessment/clearance) in addition to FSP specific needs (like core banking, client on-boarding utility, loan management solution etc.) are:

    a) Interoperable payments platform for those FSPs who find it difficult or expensive to transact with other formal financial institutions eligible to participate in national payment systems. This could be an open-source utility available to all the FSPs who need this
    b) credit scoring platforms for FSPs seeking to serve underbanked people at lower cost
    c) collaborative tools between Fintech and FSPs

12. Engage with SNKI and such other stakeholders to work on SRO for institutionalising SPM in the sector

    As far as SPM is concerned, regulators around the world have refrained from issuing mandatory directions for the FSPs, except for client protection and transparency related issues. The PROMISE IMPACT Project has also learnt that OJK may provide moral support to the cause of SPM. The Project has championed the cause of responsible financing and this could be taken forward by instituting Self-Regulatory Organisation for responsible financing. SNKI seems to be best placed to house the SRO secretariat which may have a representation of FSPs willing to implement and report on SPM. Further, the SRO may be agnostic of legal forms of the FSPs and could potentially have FSPs ranging from commercial banks to credit cooperatives and venture capital companies. SNKI seemed to be quite open and keen on the idea of SRO. ILO may help SNKI with the support of OJK and other stakeholders. This will hopefully pave way for institutionalisation of SPM reporting voluntarily. The reports from SRO will inform the sector on risk related to client protection, over-indebtedness, portfolio concentration etc. It is reasonable to hope that if some of the well-known FSPs are brought as members of SRO a lot of other FSPs will follow the suite.

Recommendation	Addressed to	Priority and Timeframe	Resource Implications
1. Expand the Project through a second phase, building on the traction created in the current phase and tapping in on the opportunity to include interventions that could substantially enhance the impact on the FSPs, MSEs and other stakeholders.	SECO, ILO	High, Immediate	High, requires donor support
2. Ensure some minimum support till Phase II of the Project starts. Such an interim 'maintenance" phase is to ensure that the Project's achievement do not lose their momentum. For such an interim period it is proposed to support the implementation of NFS by the 8 FSPs that have confirmed their interest.	SECO	High, Immediate	Low
3. Design a possible phase II Project for a 4-year duration and build in sufficient flexibility in the design to allow for updating the results framework and a budget revision after the 1st year, if required.	SECO, ILO	High, at the time of desgning next phase	Medium, only 1 year added, requires donor support
4. Depending on needs and capacities, provide a range of SPM support to different FSPs – ranging from basic SPM support to support that includes NFS with business training and counselling	ILO	High, at the time of desgning next phase	Medium – due to more complexity created
5. Provide follow-up training and technical assistance with the aim of institutionalising SPM and/or NFS	ILO	Medium, during next phase	Low
6. Develop customized strategies for different groups of FSPs and even within FSPs if required – implement a tailor-made credit+ approach	ILO	High, during next phase	Medium
7. Differentiate between delivery (in-house) v/s distributing/facilitating (use of 3rd party) of NFS and offer more feasible NFS support to FSPs who don't want to offer NFS on their own.	ILO	Medium, during next phase	Low
8. Where needed, use third-party service providers, with FSPs collaborating and monitoriing NFS	ILO	Medium, during next phase	Low
9. Increase the range of products for MSEs to cater for different needs for financial services. This may include for example e-learning	ILO	Medium, during next phase	Medium as new products

modules and accounting/financial management apps			will be developed
10. Provide technical assistance in reviewing and developing SPM	ILO, SNKI, OJK	High, Long term and during next phase	Low
11. Support FSPs with digitalisation and possibly include FinTech companies as partners	ILO, OJK	High, Long term and during next phase	Medium
12. Engage with *Strategi Nasional Keuangan Inklusi*/National Strategy for Financial Inclusion (SNKI) and similar stakeholders to work on establishing a Self-Regulating Organisation (SRO) for institutionalising SPM in the sector	ILO, SNKI, OJK	High, Long term and during next phase	Medium

9. Annexures

9.1. Annexure I: Lessons Learnt

Lesson Learned

Project Title: Promoting Micro and Small Enterprises through Entrepreneur's Access to Financial Services (PROMISE IMPACT)

Project TC/SYMBOL: INS/15/04/SWI

Name of Evaluator: Raj Kumar, Leader Evaluator
Hamidah Mantiri, Financial Expert

Date: 6 January 2020

The following lesson learned has been identified during the course of the evaluation. Further text explaining the lesson may be included in the full evaluation report.

Brief description of lesson learned	The target and indicators could be set to be more realistic with a chance for review after the first progress report.
Context and any related preconditions	Usually the prevailing conditions or changes in the project circumstances may make it hard to achieve certain targets. Keeping the targets that are not going to be achieved makes little sense. . Or on the other hand, if the Project feel some targets could be increased there may be opportunity to increase the targets as well
Targeted users / Beneficiaries	ILO and the Project team
Challenges /negative lessons - Causal factors	There were some unrealistic targets target like expecting 50% of the FSPs would have a business case within the Project time frame and that there will be policies in place to monitor the SPM. These could have been suitably revised after the first 6-months. In absence of doing so, it appears the Project may not be doing enough to achieve the targets.
Success / Positive Issues - Causal factors	

ILO Administrative Issues (staff, resources, design, implementation)	The flexibility to revise the indicators and targets may be discussed and agreed with the donor upfront so that the Project can continue to focus on achieving the target indicators that are realistic.

Lesson Learned

Project Title: Promoting Micro and Small Enterprises through Entrepreneur's Access to Financial Services (PROMISE IMPACT)

Project TC/SYMBOL: INS/15/04/SWI

Name of Evaluator: Raj Kumar, Leader Evaluator
Hamidah Mantiri, Financial Expert

Date: 6 January 2020

The following lesson learned has been identified during the course of the evaluation. Further text explaining the lesson may be included in the full evaluation report.

Brief description of lesson learned	Plan at least a 4-year long project with 3 years of key implementation activities. This could allow flexibility in the project in terms of modification of the measures and targets in the log frame as new information comes in and practicability of achieving targets in the given timeframe is known.
Context and any related preconditions	The PROMISE IMPACT project was a few months short of 4 years. Therefore, it actually ended up becoming a 4-year project. A 4-year project may accommodate risks such as not finding a project anchor in time – something that the Project faced. In addition, a longer timeframe affords opportunity to revise targets, indicators, allows for trying out innovations based on learnings within the project timeframe and keeps the Project focused on implementation for a longer period
Targeted users / Beneficiaries	ILO and the Project team, FSPs and the eventual beneficiaries/MSE clients
Challenges /negative lessons - Causal factors	Risk of 3-year timeframe for PROMISE IMPACT projects is that it takes initial few months reaching out and finding right partners. A few more months go before the Project is able to decide on implementation modalities and preparations. Last few months usually go towards accumulating and sharing learnings. Therefore, not much time remains for implementation. An extended implementation in PROMISE IMPACT would have shown even greater impacts.

Success / Positive Issues - Causal factors	
ILO Administrative Issues (staff, resources, design, implementation)	The ILO may consider 4-year or longer projects at the design stage

Lesson Learned

Project Title: Promoting Micro and Small Enterprises through Entrepreneur's Access to Financial Services (PROMISE IMPACT)

Project TC/SYMBOL: INS/15/04/SWI

Name of Evaluator: Raj Kumar, Leader Evaluator
Hamidah Mantiri, Financial Expert

Date: 6 January 2020

The following lesson learned has been identified during the course of the evaluation. Further text explaining the lesson may be included in the full evaluation report.

Brief description of lesson learned	On-site technical assistance with a more handholding approach will more useful. This will help the FSPs institutionalise the customised models of offering NFS to their clientele.
Context and any related preconditions	Institutionalising the bundled products model will need support at governance, management and MIS. The MTR report alluded to this aspect concerning SPM. However, the Project had already started the pilot at the time
Targeted users / Beneficiaries	FSPs and the eventual beneficiaries/MSE clients
Challenges /negative lessons - Causal factors	

Success / Positive Issues - Causal factors	Working closely with the FSPs will enhance the impact and other related aspects like governance, MIS and management of the FSPs will also be positively impacted
ILO Administrative Issues (staff, resources, design, implementation)	For capacity building projects at the institutions a closer handholding may be preferred at the design stage of the Project.

Lesson Learned

Project Title: Promoting Micro and Small Enterprises through Entrepreneur's Access to Financial Services (PROMISE IMPACT)

Project TC/SYMBOL: INS/15/04/SWI

Name of Evaluator: Raj Kumar, Leader Evaluator
Hamidah Mantiri, Financial Expert

Date: 6 January 2020

The following lesson learned has been identified during the course of the evaluation. Further text explaining the lesson may be included in the full evaluation report.

Brief description of lesson learned	Expression of interest approach to soliciting proposals to become partners in the Project worked and needs to be repeated in future Projects.
Context and any related preconditions	The Project reached out to a wider universe of FSPs and evaluated FSPs who could be right partners based on pre-decided parameters.
Targeted users / Beneficiaries	FSPs and the eventual beneficiaries/MSE clients

Challenges /negative lessons - Causal factors	
Success / Positive Issues - Causal factors	Expression of interest from partners helped the Project with partners who were more serious in implementing the Project activities.
ILO Administrative Issues (staff, resources, design, implementation)	A good design element and needs to be replicated in other similar projects

Lesson Learned

Project Title: Promoting Micro and Small Enterprises through Entrepreneur's Access to Financial Services (PROMISE IMPACT)

Project TC/SYMBOL: INS/15/04/SWI

Name of Evaluator: Raj Kumar, Leader Evaluator
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Targeted users / Beneficiaries	FSPs and the eventual beneficiaries/MSE clients

Challenges /negative lessons - Causal factors	
Success / Positive Issues - Causal factors	Expression of interest from partners helped the Project with partners who were more serious in implementing the Project activities.
ILO Administrative Issues (staff, resources, design, implementation)	A good design element and needs to be replicated in other similar projects

Lesson Learned

Project Title: Promoting Micro and Small Enterprises through Entrepreneur's Access to Financial Services (PROMISE IMPACT)

Project TC/SYMBOL: INS/15/04/SWI

Name of Evaluator: Raj Kumar, Leader Evaluator
Hamidah Mantiri, Financial Expert

Date: 6 January 2020

The following lesson learned has been identified during the course of the evaluation. Further text explaining the lesson may be included in the full evaluation report.

Brief description of lesson learned	A wider bouquet of products for the FSPs needs may be offered and the choice be given to the FSPs to pick and choose.
Context and any related preconditions	This is important given different motivations, scale, capacities and resources of the FSPs. For example, the current Project could have done well with three inter-related and yet distinct products – NFS, SPM integration, Financial Product development and TA in some of the areas that FSP may be struggling with. Such a mix of products would make sure that the FSPs could take these up depending on their resources and capacity to absorb the inputs under the Project. More importantly, some of these inputs may respond to the immediate pain points of the FSPs enabling them to take up products like NFS, SPM etc at a later stage.
Targeted users / Beneficiaries	FSPs and the eventual beneficiaries/MSE clients
Challenges /negative lessons - Causal factors	Offering wide range of interventions would make the Project more complex and require more budget but will pay more dividends in terms of FSPs being more attuned to client needs.
Success / Positive Issues - Causal factors	
ILO Administrative Issues (staff, resources, design, implementation)	ILO may review during design stage at the cost-benefits of building in complexity by including a greater range of interventions and offering a more customised assistance to the FSPs

Lesson Learned

Project Title: Promoting Micro and Small Enterprises through Entrepreneur's Access to Financial Services (PROMISE IMPACT)

Project TC/SYMBOL: INS/15/04/SWI

Name of Evaluator: Raj Kumar, Leader Evaluator
Hamidah Mantiri, Financial Expert

Date: 6 January 2020

The following lesson learned has been identified during the course of the evaluation. Further text explaining the lesson may be included in the full evaluation report.

Brief description of lesson learned	When working with large partners like bigger Banks, it is important to work at various levels for achieving quicker buy-in.
Context and any related preconditions	It is important to first get the buy-in of the top management/directors and then gradually work with the other intermediate layers of management in the process identifying the significant movers within the organization.
Targeted users / Beneficiaries	ILO Project staff directly and FSP and clients indirectly
Challenges /negative lessons - Causal factors	Once the top management is convinced it is easier to work with the staff/officers at other levels.
Success / Positive Issues - Causal factors	
ILO Administrative Issues (staff, resources, design, implementation)	

Lesson Learned

Project Title: Promoting Micro and Small Enterprises through Entrepreneur's Access to Financial Services (PROMISE IMPACT)

Project TC/SYMBOL: INS/15/04/SWI

Name of Evaluator: Raj Kumar, Leader Evaluator
Hamidah Mantiri, Financial Expert

Date: 6 January 2020

The following lesson learned has been identified during the course of the evaluation. Further text explaining the lesson may be included in the full evaluation report.

Brief description of lesson learned	At the sector level, responding to the immediate sector needs paid dividends and needs to be continued.
Context and any related preconditions	Project's work on conducting research studies was in line with the sector needs. This needs to be continued by identifying what significant sector players (regulators/policymakers) want or are struggling with and helping them with addressing their pain points. It may, therefore, be important to evaluate what OJK and SNKI are planning in the next couple of years and bring alignment with their work plans.
Targeted users / Beneficiaries	Policy makers and FSPs
Challenges /negative lessons - Causal factors	
Success / Positive Issues - Causal factors	The Project was flexible to be able to respond to sector level/policy makers' needs.
ILO Administrative Issues (staff, resources, design, implementation)	

Lesson Learned

Project Title: Promoting Micro and Small Enterprises through Entrepreneur's Access to Financial Services (PROMISE IMPACT)

Project TC/SYMBOL: INS/15/04/SWI

Name of Evaluator: Raj Kumar, Leader Evaluator
Hamidah Mantiri, Financial Expert

Date: 6 January 2020

The following lesson learned has been identified during the course of the evaluation. Further text explaining the lesson may be included in the full evaluation report.

Brief description of lesson learned	Partnering with a powerful partner right at the beginning makes it easy for the Project to roll out its activities and smoothens project implementation
Context and any related preconditions	In the current Project, the partnership with OJK made it very easy to reach out to the FSPs. This is significantly important in that NFS is an area where FSPs (especially the Banks) are reluctant to wade into. Having banks (BPRs and BPDs) as partner FSPs provided useful insights into what needs to be changed in offering NFS for it to work for the banks. It would have been harder to bring Banks to partner in the Project if not for OJK. This lesson could be used to include SNKI in the next phase to bring about voluntary SPM implementation in the financial sector.
Targeted users / Beneficiaries	ILO and Project staff, FSPs
Challenges /negative lessons - Causal factors	
Success / Positive Issues - Causal factors	The Project reached out to OJK and focused on building a symbiotic relationship
ILO Administrative Issues (staff, resources, design, implementation)	The lesson may be repeated in subsequent phase/projects by identifying key influencing institutions and building relationship with them right from the start.

Lesson Learned

Project Title: Promoting Micro and Small Enterprises through Entrepreneur's Access to Financial Services (PROMISE IMPACT)

Project TC/SYMBOL: INS/15/04/SWI

Name of Evaluator: Raj Kumar, Leader Evaluator
Hamidah Mantiri, Financial Expert

Date: 6 January 2020

The following lesson learned has been identified during the course of the evaluation. Further text explaining the lesson may be included in the full evaluation report.

Brief description of lesson learned	In terms of Project impact evaluation design, keep enough time between baseline and end line.
Context and any related preconditions	In the Project, very little time was available between baseline and end-line which meant that the intended benefits of the Project were only partially realized.
Targeted users / Beneficiaries	ILO and Project staff, FSPs
Challenges /negative lessons - Causal factors	
Success / Positive Issues - Causal factors	
ILO Administrative Issues (staff, resources, design, implementation)	A more careful planning on scheduling the endline could improve results. Of course, the lesson is closely tied with the another lesson on increasing the Project timeframe.

9.2. Annexure II: Terms of Reference

Purpose, Scope and Clients of the Evaluation:

The purpose of the FE is not only to evaluate the end-of-the-Project's achievements against its development objective and its 3 specific outcomes, but also to promote accountability and learning (for a possible next phase) The evaluation will cover the Project various components, outcomes, outputs and activities as reflected in the project document, as well as subsequent modification/alterations made during its implementation and recommendations made by the MTR. The scope of work includes an assessment of the performance of the Project vis-à-vis:

- Outputs and outcomes against targets and indicators;
- Chosen strategies and implementation modalities;
- Partnership arrangements;
- Follow-up to identified constraints/challenges and opportunities/recommendations
- Use and management of the financial resources of the Project

The scope of work for the FE further includes the formulation of strategic and operational lessons learned and recommendations, as well as the identification of opportunities for scaling up the Project during a possible next phase. The gender dimension should be considered as a cross-cutting concern throughout the methodology, deliverables and final report of the evaluation. In terms of this evaluation, this implies involving both men and women in the consultations, evaluation analysis and evaluation team. Moreover the evaluators should review data and information that is disaggregated by gender and assess the relevance and effectiveness of gender-related strategies and outcomes to improve lives of women and men. All this information should be accurately included in the inception report and evaluation report.

Findings and recommendations from the FE are specifically directed to:

- State Secretariat for Economic Affairs (SECO);
- Key national partners (Financial Services Authority (OJK), Coordinating Ministry of
- Economic Affairs (CMEA), Ministry of Cooperatives and SMEs (MoCSMEs), and Provincial
- Governments of East Java and West Java), FSPs and their relevant associations;
- SMEs
- ILO (Country Office for Indonesia and Timor-Leste, and Social Finance Programme-ILO,
- Geneva);
- ILO/PROMISE IMPACT management Team.

Methodology

The Evaluation Team will be asked to develop a detailed methodology and work plan, including data collection methods and analysis, to be outlined in an Inception Report. This will have to include a detailed methodology, highlighting a sampling framework as applicable, sub-questions and an interview questionnaire and/or protocol. It will also include an analytical framework highlighting measures of success and how data will be analysed. The methodology will have to ensure a representative coverage of the key stakeholders. As part of the methodology, a participatory/consultative approach will need to be followed, with key stakeholders actively involved and taking into account the need of equitable gender representation. To the extent possible, quantitative and qualitative data will be collected, validated and analysed. It is anticipated that the evaluation methods will include the following:

1. Desk Study: A desk review of relevant documents. These include, inter alia, documents related to the Project's performance and progress, the initial project document, revised results framework, work plans, progress reports, reports of impact studies, technical documents (including relevant training manuals) and other relevant key documents/reports. As no Theory of Change was developed by the Project, the Evaluation Team will need to construct such a Theory of Change, using the Project's results framework and other information provided to the Evaluation Team. The constructed Theory of Change will be an important tool for the Evaluation Team in examining the intervention logic and results. Annex 1 provides a list of documents that will be shared with the evaluation team for the desk study. The Evaluation Team will have to submit a Document Review Paper as first deliverable during the home based phase
2. Key Informant Interviews - this will likely be the main source for data collection:
    a. SECO team in Jakarta and SECO Project Manager in Bern.
    b. Members of the PSC and PACs
    c. ILO Project management Team and other relevant ILO staff (Jakarta country office, and ILO Social Finance Programme Unit in ILO HQ)
    d. Individual interviews or focus group discussions with national and provincial stakeholders (government partners, implementing partners, FSPs and MSEs)
    e. Relevant other institutions or projects involved in inclusive finance in Indonesia
3. Independent Observational Visits by the Evaluation Team at selected locations in East and West Java
4. Collection and review of relevant information/data during the in-country phase
5. Critical reflection by stakeholders – the evaluator will ensure involvement of key stakeholders in the implementation (inputs to TOR, interview process, inputs to the draft evaluation report, as well as in the dissemination process (e.g. stakeholders' workshop, debriefing of project manager, etc.)

The evaluator may adapt the methodology, but any fundamental changes should be agreed between the evaluation manager and the evaluator, and reflected in the inception report

Evaluation Criteria and Questions

The Project will be evaluated against the OECD/DAC evaluation criteria and the ILO evaluation criteria. The evaluation criteria and the key evaluation questions are presented in table 1 Gender dimensions will be considered as a cross-cutting dimension in the formulation of the evaluation questions, in the design and implementation of the methodology, in data analysis, and in the production of the deliverables, including the final report of the evaluation. The Evaluation Team should review data and information that is disaggregated by sex and gender and assess the relevance and effectiveness of gender-related strategies and outcomes to improve lives of women and men. Within the framework of the Key Questions mentioned in table 1, the Evaluation Team will develop sub-questions as part of the development of the Inception Report (i.e. Evaluation Plan). The final evaluation questions will guide the methodology, data collection tools and analytical framework. Findings and recommendations from the FE will reflect the evaluation questions.

Section	1. Key Question
Relevance and Strategic Fit and Validity of Design	2. To what extent has the Project been relevant to, and aligned with, national plans, priorities and strategies on inclusive finance and SMEs – including national capacity building plans and strategies?

	3. As relevant, to what extent has the Project been able to effectively adapt to changing/emerging strategic government plans and priorities? 4. To what extent has the Project been successful in promoting the institutionalisation and/or standardization of its implementation model?
Validity of Design	5. To what extent were the Project's formulated development objective and outcomes realistic and aligned with government priorities and plans? 6. To what extent has the Project's business model (including social dialogue, choice of sectors, partners, recipients and beneficiaries, and its main means of action – as formulated in the Project Document and further developed during implementation) been strategic and effective (including outreach, quality of services and impact on clients) in contributing to the development objective and in achieving the Project's three outcomes? 7. To what extent have the Project's systems and approaches to monitor and evaluate the progress, effects and impact of the interventions, been relevant and effective?
Project Results and Effectiveness	8. To what extent has the Project been effective in achieving its three specific outcomes and the delivery of the planned outputs? 9. To what extent have the key stakeholders of the Project, including recipients and beneficiaries, been effectively involved in the design and implementation of the Project's strategy and activities, and how important has the involvement of the stakeholders been? 10. What were key constraints and opportunities that emerged during the implementation of the Project and to what extent has the Project been effective in taking measures to address constraints and follow-up on opportunities?
Efficiency and Resource use	11. To what extent were available resources sufficient, allocated strategically, made available timely, and utilized efficiently to achieve outputs and outcomes? 12. What is the estimated balance of Project funds as of 31 December 2019?
Effectiveness of Management Arrangements	13. To what extent has the Project management Team received adequate political, technical and administrative support from its national partners and from the ILO (ILO JKT and technical units ILO HQ)? 14. To what extent has the available ILO Project management Team been able to effectively manage the Project and monitor progress and impacts, and were the management systems and tools that were used adequate? 15. Was there a clear understanding of roles and responsibilities by all parties involved and did implementing partners provide sufficient support to facilitate effective project implementation?
Impact, and Sustainability	16. To what extent can the Project's achievements be sustained and replicated at various levels without further external support, beyond December 2019?

and Future Orientation	17. To what extent has the Project achieved its envisaged impact? 18. Given the Project's achievements towards its envisaged impact and outcomes, together with the assessment of the achieved level of sustainability and replicability, provide recommendations as to whether a follow-up phase of the Project will be justified and required. Provide suggestions regarding directions, strategy, scale and duration for such a possible next phase.

Evaluation Time Frame and Main Deliverables

Table 2 provides an overview of the proposed time frame for the FE and the schedule for the submission of the deliverables/reports by the Evaluation Team which will include two consultants. The assignment is output based with the number of work-days calculated mainly for reference purposes.

1. Lead Evaluator (International or National): 30 work days from November 4, 2019 to January 31, 2020
2. Financial Expert (National): 20 work days from November 4, 2019 to January 31, 2020

It is expected that the two consultants will work together, with the Lead Expert responsible for managing and oversight of the Financial Expert. Qualified candidates should submit their resumes indicating the position for which they are applying.

SCHEDULE FOR EVALUATION TEAM

	Tasks	**PROPOSED REVISED**	**Indicative number of work-days required Lead Evaluator (national or international)**	**Indicative number of work-days required Financial Expert (national)**
1	Home-based inception phase: Prepare and submit Inception Report	18-29 November	7	3
1.a	***Submit draft Document Review Paper***[5]	21 November		
	(Feedback on draft Document Review Paper)	25 November		
1.b	***Submit draft Inception Report***[6]	26 November		
	(Feedback on draft Inception Report)	28 November		
1.c	***Submit final Inception Report***	29 November		

[5] The main focus should be on the formulation of the sub-questions – based on findings from the reviewed documents

[6] An outline of a possible table of contents of the Inception Report is provided in Annex 3

2	In-country: Data collection, collation of findings, preliminary findings	02 Dec-13 Dec	12	12
2.a	***Submit Preliminary Findings and Recommendations Report***[7]	12 December		
2.b	***Presentation preliminary findings and recommendations***	13 December		
3	Home-based report writing: Prepare and submit evaluation report	16 December to Jan 31	11	5
3.a	***Submit draft Evaluation Report***	5 January		
	(Feedback on draft Evaluation Report)	20 January		
3.b	***Submit final Evaluation Report***	7 February		

The Evaluation Report needs to be prepared in line with the ILO evaluation policy guidelines. The quality of the report will be assessed against the ILO Evaluation requirements and checklist 5, 6 and 7 (see Annex 2). The Evaluation Report should include sections on output and outcome level results against milestone targets as well as sections on lessons learned, good practices and recommendations. The Evaluation Report needs to include an Evaluation Summary and Fact Sheets on Good Practices and Lessons Learned (see Annex 2). All outputs of the evaluation will be produced in English. Copyright of the Evaluation Report rests exclusively with the ILO. Key stakeholders can make appropriate use of the evaluation report in line with its original purpose and with appropriate acknowledgement.

Evaluation Management Arrangements:

The ILO Decent Work Technical Support team's Senior Specialist on Employment Intensive Investment Programme, Bas Athmer, will be the Evaluation Manager who will oversee the evaluation process/steps to see that the evaluation is conducted in an independent manner, meets the requirements and timeframe as set out in the TOR and is implemented within the available budget.

The ILO Evaluation Manager is also responsible for coordinating feedback to the Evaluator regarding submitted draft deliverables and making recommendations to the ILO Regional Evaluation Officer regarding the submission of the final evaluation report for the approval by ILO Evaluation Office. Furthermore, he is also responsible for the dissemination of the approval final evaluation report. The ILO Evaluation Manager is supported by the ILO Focal Evaluation Officer of the ILO Jakarta Office. The ILO PROMISE-IMPACT Project Team and the ILO Country Office for Indonesia and Timor-Leste, will, as and when required, provide administrative and logistic support, documents and technical inputs to the Evaluator. The Project Team will also assist in organizing meetings and scheduling/organizing missions to East and West Java. The costs of the evaluation cost will be covered by the Project and will include:

1) The Evaluator's agreed fee, Daily Subsistence Allowance (UN rate) and the costs of travel as per ILO rules and regulations to cover the anticipated mission costs
2) Additional transportation costs, as required during the in-country field mission visit(s)
3) As required, the costs of interpretation and/or translation services

[7] The Preliminary Findings and Recommendations Report should about 5 pages and should mainly focus on the key evaluation questions

4) The costs of stakeholder meeting and workshops

Qualifications and responsibilities of the Evaluator(s)

Lead Evaluator (International or National)

- 10 years of relevant experience in the financial sector; experience in micro and small enterprise financing is preferred
- 7-10 years of experience conducting project evaluations
- Demonstrated knowledge of the application of qualitative and quantitative M&E
- techniques and tools
- Good knowledge of the financial landscape and SMEs in Indonesia
- Familiarity with ILO's roles and mandate and its tripartite structure would be an asset
- Demonstrated ability to communicate well in English – including written communication skills

Financial Expert (National) as team member

- At least 7 years of relevant experience in in the field of inclusive finance and SMEs.
- Knowledge of the financial landscape in Indonesia including policies, institutions, and
- state of financial industry
- Previous experience conducting research and project evaluations are highly desired
- Demonstrated ability to communicate well in English and Bahasa Indonesia– including
- written communication skills

The Lead Evaluator's responsibilities include the following:

- Ensure that the evaluation is implemented and delivered as per the TOR and the evaluation plan and methodology as outlined in the Inception Report, including a verbal presentation using PowerPoint of the preliminary finidings and recommendations
- Ensure submission of high quality deliverables within the agreed timeframes
- Provide advice and analysis to meet the objectives and reporting requirements of the
- evaluation
- Interpret and analyse data/information from various sources and validate or verify findings from the analysis as much as possible through triangulation
- Liaise with the ILO PROMISE-IMPACT team, the ILO Evaluation Focal Person of the ILO Jakarta Office and the ILO Evaluation Manager to seek guidance as required.

Legal and ethical matters

The evaluation will comply with UN Norms and Standards. The evaluator will abide by the EVAL's Code of Conduct for carrying out the evaluation. UNEG ethical guidelines will be followed. The evaluation team should not have any links to project management, or any other conflict of interest that would interfere with the independence of evaluation.

9.3. Annexure III: List of Reviewed Documents

Date	Document	Type
2015, June	PROMISE IMPACTS – Draft Project Proposal	Plan
2019, March 30	Financing Small Businesses in Indonesia, Challenges and Opportunities	Report
2019, November 11	Result Framework	Plan
2019, September 26	Assisting the Growth of Micro and Small Enterprises Evidence from a Training and Consulting Intervention with 13 Financial Service Providers	Evaluation
2018, February	PROMISE IMPACT Mid – Term Review Report	Mid-Term Review Report
2016, February	PROMISE IMPACT – Inception Report	Inception Report
2016, October	PROMISE IMPACT – Progress Report #2	Technical Progress Report
2016, December	PROMISE IMPACT – Technical Cooperation Progress Report #3	Technical Progress Report
2017, June	PROMISE IMPACT – Technical Cooperation Progress Report #4	Technical Progress Report
2017, December	PROMISE IMPACT – Technical Cooperation Progress Report #5	Technical Progress Report
2018, June	PROMISE IMPACT – Technical Cooperation Progress Report #6	Technical Progress Report
2018, December	PROMISE IMPACT – Technical Cooperation Progress Report #7	Technical Progress Report
2019, June	PROMISE IMPACT – Technical Cooperation Progress Report #8	Technical Progress Report
2018	Peer Learning Review	Report
2019, February	FSP Peer Review, West Java	Minutes of Meeting
2019, March	FSP Peer Review, East Java	Minutes of Meeting
2019, May	FSP Peer Learning Workshops	Minutes of Meeting
2019, November	Monitoring Outputs & Measuring Impact PROMISE IMPACT	Plan
2017	Client Assessment Survey Report	Report
2017	Enterprise Credit for Manufacturing	Report
2019, December	Output Summary PROMISE IMPACT	Draft Report
2017	SIYB Training of Trainer	Technical Report
2019	Training for Financial Institution – Refresher Training	Technical Report
2019, December	Expenditure Budget Table	Summary Table

9.4. Annexure IV: Key Evaluation Questions (KEQ) and Sub-Evaluation Questions

No. key evaluation question & SUB-questions	Information source DR	 KII	Tool Source of Information/Evidence
Relevance and strategic fit			
KEQ 1. To what extent has the Project been relevant to, and aligned with, national plans, priorities and strategies on inclusive finance and SMEs – including national capacity building plans and strategies?			
1. Do you think the Project has been relevant to and contributed to the existing national plan and ILO's own plans/strategy for Indonesia? *2.* Which national plans/schemes, ILO's plans/strategies has the Project contributed to? How? *(Probe for the changes it has resulted in the national policies or regulatory framework regarding the access to socially responsible finance)*	✓	✓	Analysis of related, relevant national plans/schemes, ILO's own plans/strategy for Indonesia. Linkages, contribution made by the Project to other national priorities/furtherance to ILO's own plans/strategy
KEQ 2. As relevant, to what extent has the Project been able to effectively adapt to changing/emerging strategic government plans and priorities?			
3. What has changed in the national context for the SMEs/inclusive finance over the last 3 years? 4. List any instance when PROMISE IMPACT had to realign its approach to suit existing government schemes/programs. Was this realignment beneficial in terms of creating leverage for the program or its stakeholders? How? What challenges have you faced trying to align PROMISE IMPACT with other programs? What opportunities has this alignment created? 5. Has the Project adapted itself to these changes? How?	✓	✓	Analysis of Project Progress reports, Technical/research reports produced in the Project
KEQ 3. To what extent has the Project been successful in promoting the institutionalisation and/or standardization of its implementation model			
6. Has the Project been able to institutionalize some/all of the aspects of SPM/credit+ at any level – FSPs or policy level?	✓	✓	"Commitment to implementing SPM" Assessment tool

7. What aspects do you think are taken up by the policy makers for active consideration for improving policies/regulations? 8. Has it resulted in greater budgetary allocation & appointments for expediting adoption of the implementation model? 9. Has it resulted in increased outreach/development of new products or services/ initiatives for SME education? Probe for each one of them. 10. Has PROMISE IMPACT supported initiatives that expanded access to financial and non-financial services to marginalized populations? Do you think women have benefited from the program? If yes, how			Review of FSPs strategies/business plans/mission statements Assessment of implementation of recommendations made to OJK/others
Validity of Design			
KEQ 4. To what extent were the Project's formulated development objective and outcomes realistic and aligned with government priorities and plans?			
11. Do you think the Project has been relevant to and contributed to the existing national plan and ILO's own plans/strategy for Indonesia? How? 12. Have national plans/policies changed over the course of the Project? How has the project responded to such changes? 13. Has the Project been able to institutionalize some/all of the aspects of SPM/credit+ at any level – FSPs or policy level? 14. What aspects do you think are taken up by the policy makers for active consideration for improving policies/regulations?	✓	✓	Review of FSPs strategies/business plans/mission statements Assessment of implementation of recommendations made to OJK/others
KEQ 5. To what extent has the Project's business model (including social dialogue, choice of sectors, partners, recipients and beneficiaries, and its main means of action – as formulated in the Project Document and further developed during implementation) been strategic and effective (including outreach, quality of services and impact on clients) in contributing to the development objective and in achieving the Project's three outcomes?			
15. Do you think the sectors chosen, partners, clients, service providers were strategic in terms of contributing to the overall development objective of the Project/three outcomes? 16. What type of FSP partnerships has been most successful within PROMISE IMPACT? What are the characteristics of partners	✓	✓	Analysis of Project documents Analysis of progress versus achievement of outcome indicators Analysis of Randomised Control Trial study

where the collaboration has been successful? What are the characteristics of partners where the collaboration has not worked as well? 17. Has the project been able to make the intended outreach? 18. Do you think the quality of non-financial services was good? Could it be better? How? 19. Has it made any impact on clients? 20. Could the relevance be improved? If so, which design elements of the existing business model of the Project need to be improved/changed?			
KEQ 6. To what extent have the Project's systems and approaches to monitor and evaluate the progress, effects and impact of the interventions, been relevant and effective?			
21. What systems did the Project use to monitor and evaluate the project results? 22. Were these effective, relevant? 23. Could these systems be improved? How?	✓	✓	Analysis of project results framework and 6 monthly reports produced Background of Randomised Control Trial study
Project Result and Effectiveness			
KEQ 7. To what extent has the Project been effective in achieving its three specific outcomes and the delivery of the planned outputs?			
24. Have all the outcomes and outputs been achieved? 25. What are some concrete improvements to the inclusive finance that you would attribute to PROMISE IMPACT? Also, include any palpable improvements triggered by policy-level engagement of ILO with the government 26. What was not achieved and why?	✓	✓	Variance analysis of the outputs and outcome indicators
KEQ 8. To what extent have the key stakeholders of the Project, including recipients and beneficiaries, been effectively involved in the design and implementation of the Project's strategy and activities, and how important has the involvement of the stakeholders been?			
27. How did ILO design the Project? 28. How did the sub-components of the Project (pilot components) designed? Did these involve direct stakeholders? 29. Did the involvement of stakeholders impact the results? How?	✓	✓	Project progress reports

KEQ 9. What were key constraints and opportunities that emerged during the implementation of the Project and to what extent has the Project been effective in taking measures to address constraints and follow-up on opportunities?			
30. Did the Project face constraints during the project? What kind of constraints? 31. How did the Project respond to these constraints? 32. Did the Project present any opportunities? Did you seize these? How?	✓	✓	Project progress reports
Efficiency and Resource use			
KEQ 10. To what extent were available resources sufficient, allocated strategically, made available timely, and utilized efficiently to achieve outputs and outcomes			
33. Were the funds available on time? If not, did it impact the Project activities? 34. Could the Project resources been used in any other way – in favour of any set of activities over others? 35. What leverage was the Project able to achieve in terms of other stakeholders contributing to the overall development objective of the Project?	✓	✓	Analysis of Project progress reports Analysis of Budget variance report
KEQ 11. What is the estimated balance of Project funds as of 31 December 2019?			
36. What is the estimated balance of Project funds as of 31 December 2019?	✓	✓	Analysis of Budget variance report
Effectiveness of Management Arrangements			
KEQ 12. To what extent has the Project management Team received adequate political, technical and administrative support from its national partners and from the ILO (ILO JKT and technical units ILO HQ)?			
37. Did the implementing team receive enough support from the Steering Committee, ILO teams etc? Could the support have been more effective?	✓	✓	
KEQ 13. To what extent has the available ILO Project management Team been able to effectively manage the Project and monitor progress and impacts, and were the management systems and tools that were used adequate?			
38. What systems did the Project use to monitor and evaluate the project results? 39. Were these effective, relevant? 40. Could these systems be improved? How?	✓	✓	Variance analysis of the outputs and outcome indicators
KEQ 14. Was there a clear understanding of roles and responsibilities by all parties involved and did implementing partners provide sufficient support to facilitate effective project implementation			
41. Did you have a clear understanding of your roles and responsibility in the Project?	✓	✓	Analysis of Project progress reports

42. Did the FSPs provide enough support in implementation? Could this improve? How?			
Impact, and Sustainability and Future Orientation			
KEQ 15. To what extent can the Project's achievements be sustained and replicated at various levels without further external support, beyond December 2019?			
43. Which aspects of the Project (FSP level, MSE level or policy level) could sustain beyond the Project period? Why do you think so? 44. What are the key learning from the Project? 45. Should the Project or elements of the Project be carried forward? Which aspects/components? Why and how will these be implemented? 46. Do you think PROMISE IMPACT has made an attempt to ensure institutionalization of interventions at partner organisations? If yes, How, if not, what have been the issues with its approach?	✓	✓	"Commitment to implementing SPM" Assessment tool Supply-Needs Alignment Assessment Tool
KEQ 16. To what extent has the Project achieved its envisaged impact?			
47. In your opinion has PROMISE IMPACT contributed to enhanced productivity, improved working conditions, and access to financial and non-financial services for MSEs? If yes, how? 48. Do you think PROMISE IMPACT has been able to create an enabling environment through advocacy efforts to promote more and better jobs through responsible financial inclusion and promotion of better productivity? 49. Which input has the most potential to scale up after the program term ends? 50. How many new players have 'followed suit' and entered the market (MSEs) after the interventions made by ILO? 51. What could have been done differently with regards to any of the Project components to enhance the sustainability of the Project?	✓	✓	"Commitment to implementing SPM" Assessment tool Supply-Needs Alignment Assessment Tool
KEQ 17. Given the Project's achievements towards its envisaged impact and outcomes, together with the assessment of the achieved level of sustainability and replicability, provide recommendations as to			

whether a follow-up phase of the Project will be justified and required. Provide suggestions regarding directions, strategy, scale and duration for such a possible next phase			
52. Do you think a follow-up phase is required? 53. What should change in the follow-up phase in terms of strategy, clients, sector, scale and duration? 54. Which elements of the programme did you specifically appreciate? Why (not)? 55. Do you have any recommendations on how to improve collaboration among different stakeholders of the inclusive finance and MSE ecosystem including ILO in the future? 56. What are some of the prospective areas of collaboration in the future given the idea was to have a sustainable inclusive finance ecosystem with gradually limiting role of	✓	✓	

9.5. Annexure V: Data Collection and Methodology

The data collection and methods included the following approaches:

- **Desk Study/document review:** The desk study involves a review of existing documents from the Project, including study reports (such as "Financing Small Businesses in Indonesia" and "Marketing and Credit analysis") commissioned under the Project. See Annex 2 for the list of reviewed documents. Document Review Report has been submitted as the first deliverable.
- **Key Informant Interviews:** This is the main data source that includes interviews with key informants. See Annexure 6 for a full list of interview schedule. We have also developed interview schedules for the key informants.
- **Observational Visits:** The consultants have visited both East and West Java covering both the geographical areas where the project was implemented. All the FSPs meeting arranged except one. The consultants have met the project coordinators in the FSPs as well as the Loan officers who received trainings and provided TOT. Further, three MSE clients were visited out of five was planned.
- **Validation workshop:** The workshop involved the main stakeholders of the Project and has provided an opportunity to validate the observations and initial findings, conclusions and recommendations.

9.6. Annexure VI: Evaluation Itinerary

No	Tasks	Dates
1	Home-based inception phase: Prepare and submit Inception Report	19-29 November
1.a	***Submit draft Document Review Paper***	21 November
	(Feedback on draft Document Review Paper)	25 November
1.b	***Submit draft Inception Report***	26 November
	(Feedback on draft Inception Report)	28 November
1.c	***Submit final Inception Report***	29 November
2	In-country: Data collection, collation of findings, preliminary findings	02 – 13 December
2.a	***Submit Preliminary Findings and Recommendations Report***	12 December
2.b	***Presentation preliminary findings and recommendations***	13 December
3	Home-based report writing: Prepare and submit evaluation report	16 December – 31 Jan
3.a	***Submit draft Evaluation Report***	5 January
	(Feedback on draft Evaluation Report)	20 January
3.b	***Submit final Evaluation Report***	7 February

9.7. Annexure VII: Key Informants Interviewed

STAKEHOLDER GROUP	KEY INFORMANTS	NAME
ILO – PROMISE IMPACT	Chief Technical Advisor	Owais Parray
	National Project Coordinator	Muce Mochtar
	Project Officer – West Java	Yanis Saputra
OJK – Financial Services Authority	Senior Executive Analyst, Deputy Commissioner of Banking Supervisor IV	Roberto Akyuwen
	OJK Regional II – West Java	Miftah Budiman
SBFIC Germany	Principal Advisor	Michael Kuehl
SECO	Deputy Head	Philipp Orga
ASBANDA	Transformation Director / PMO	Valentino Gola P
SNKI	Technical Team Secretary	Eni Widiyanti
Ministry of Cooperatives, and MSMEs, West Java Provincial Office	Sub-Section Head MSME Empowerment	Hendra
BPR UMKM Jatim	Head Officer – Counsellor	Ismail Bagus
	Branch Account Officer - Counsellor	Donasi
	Branch Manager	Susana
Puskowanjati	Chief	Isminarti Perwirani
	Secretary	Chandra Fatmawati
	Treasury	Niken Wuryansasi
	Counsellor	Nawang Prasetyasari
	Counsellor	Ratri Wahyu P
	Trainer	Pristiawati
	Trainer	Sari Rahmawati
	Counsellor	Wusono
BPR Lamongan	Counsellor – Credit Section Head	M. Mahsun
	Counsellor – Branch Account Officer	Rio
	Counsellor – Branch Account Officer	M. Mujahid
BPR Jombang	Business Section Head	Mamas
	Business Division Head	Usman

Bank Jatim	Counsellor – Account Officer	Bimo
Koperasi Assakinah	Chief	Nelly Asnifati
	Secretary	Eni
BMT ITQAN	Chairman	Adhy Suryadi
	Secretary / Trainer	Lukman
	Division Manager – Member Benefit Service	Edwin
Bank BJB	MSME Centre Group Head, MSME Credit	Dodi Sandra Nugraha
	MSME Centre Group, MSME Credit	Foura Devijanti
BPR Kerta Raharja	Director	Boy Ferli
	General Division Head	Bayu Andriatna
	Marketing Division Head	Ruyana
BMT Ibaadurrahman	Chief	Ety Rusmiati
	IAC – Trainer SIYB	Sarah
	Baitul Maal Manager – Trainer SIYB	Faisal Mulyawan
KSPPS Baytul Ikhtiar	Chairman	Latif Efendi
	Program Coordinator	Sondhia Safira
MicroSave	Country Manager	Grace Retnowati

9.8. Annexure VIII: The Theory of Change