Financial Inclusion

DRAFT Strategy and guidance for applicants

Last updated:
8-31-2023

DRAFT JOA Financial Inclusion Strategic Approach

Table of Contents

1. Abbreviations

AFI - Alliance for Financial Inclusion
CGAP – Consultive Group to Assist the Poor
CICO – Cash In Cash Out
COP – Conference of Parties
DAC – Development Assistance Committee
DFS – Digital Financial Services
EAC – East African Community
FAO – Food and Agriculture Organisation
FSP – Financial Services Provider
FPS – Financial Products and Services
IFC – International Finance Centre
IGF - Inclusive Green Finance
IMF – International Monetary Fund
KYC – Know Your Customer
MEL – Monitoring Evaluation and Learning
MFI – Microfinance Institution
MNO – Mobile Network Operator
NGO – Non-Governmental Organisation
ODA – Official Development Assistance
OECD – Organisation for Economic Co-operation and Development
SADC – Southern African Development Community
SDGs - Sustainable Development Goals
ToC – Theory of Change
UNFCCC – United Nations Framework Convention on Climate Change
UNSGSA – UN Secretary-General's Special Advocate for Inclusive Finance for Development
VSLA – Village Savings and Loans Association

2. Glossary

DAC – OECD Development Assistance Committee, a unique international forum of many of the largest providers of aid, including 32 members.
ESG – Environmental, social and governance (ESG) refers to a collection of corporate performance evaluation criteria that assess the robustness of a company's governance mechanisms and its ability to effectively manage its environmental and social impacts.
Financial exploitation - Financial exploitation means the illegal or improper use, by means, including, but not limited to deceit, coercion, fraud, or undue influence, of the resources (including medications) of an older adult or person with a disability.
Financial health - Financial health or wellbeing is the extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future.
Financial ecosystem - Encompasses the entire range of market players in the financial system, having a role in efficient and sound capital allocation to sustainable, value adding projects, by matching savers and investors.
Financial literacy - The knowledge and understanding of various financial products which helps individuals manage their money, personal finances, investment, and tax planning. Its primary purpose is safeguarding individuals from financial frauds and scams.
Findex database - The Global Findex Database provides almost 300 indicators on global access to financial services covering topics such as account ownership, payments, saving, credit, and financial resilience.
Fintech – Financial technology, referring to the use of new technology to compete with traditional financial methods in the delivery of financial services.
Force-multiplication – A factor which increases impact beyond the scope of the individual project, for example the potential for a project to be scaled up and leverage additional funding.
Impact investment - Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.
Inclusive green finance - Efforts to mitigate and build resilience against the negative impacts of climate change through effective financial inclusion policies, regulation and national strategies.
Informal employment – Employment whereby, by law or in practice, the employee is not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits.
Interoperability - A characteristic of a product or system to work with other products or systems.
Market Systems Development - An approach which seeks to change the way that markets work, so that poor people are included in the benefits of growth and economic development. The aim is to tackle market failures and strengthen the private sector in a way that creates large-scale, lasting benefits for the poor.

Mobile money – A digital exchange medium and store of value using mobile money accounts on a pay-as-you-go basis, facilitated by a network of mobile money agents. They are financial services offered to clients by a mobile network operator or another entity that partners with mobile network operators, independent of the traditional banking network.
Redress mechanism – A formalized way to accept, assess, and resolve community feedback or complaints. It should offer an accessible point for complaints to be received and a predictable process and timeline for communities to obtain a response.
Resilience - The ability of individuals and households to reduce the risk of, mitigate, cope with, and recover from various shocks, stresses and life cycle events in order to minimize any reduction in short-term or long-term well-being.
Social norms - Rules and behaviours that determine social behaviour, expectations, and conduct. These informal rules determine actions, perceptions, and expectations at the individual, household, and community level and influence household roles, livelihood responsibilities, and public life. Norms often influence official laws and rules, such as when national laws limit the type of property women can own. Social norms are influenced by belief systems, economic contexts, and the perceived rewards and sanctions for adhering to or disobeying prevailing norms.
Sustainable finance – The process of taking due account of environmental, social and governance (ESG) considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects
Think-and-Do Tanks - An institute, corporation, or group organized to study a particular subject (such as a policy issue or a scientific problem) and provide information, ideas, and advice, with a particular focus on actions that can be taken to ensure meaningful impact.

3. Introduction

Jersey Overseas Aid (JOA) is committed to promoting sustainable development and enhancing financial inclusion in some of the world's lowest-income countries. In alignment with our core principles and international best practices, we are pleased to present our Financial Inclusion Strategy.

We recognise that financial inclusion is a vital component of poverty reduction, economic prosperity, and social empowerment. We also acknowledge the complex interplay between poverty reduction and the environment, understanding that approaches to climate change adaptation and mitigation need to be thoughtfully considered. It is with this understanding that our strategy is designed, incorporating learnings, insights and key principles from multiple sources including: the national financial inclusion strategies and priorities of our six target countries (Ethiopia, Malawi, Rwanda, Sierra Leone, Zambia and Nepal); research, data and insights from the World Bank and CGAP, IMF and OECD; and global priorities reflected in the Kampala Principles, the Maya Declaration, the Sustainable Development Goals (SDGs) and the G20s Financial Inclusion Action Plan. Lastly, we have also engaged and consulted front-line agencies, fellow donors and private sector actors who are involved in financial inclusion development overseas.

Through our strategic approach, we seek to respond to the needs and aspirations of low-income people, especially women, young people and smallholder farmers, by supporting the provision of financial services that are inclusive, affordable, accessible, and appropriate. Our aim is to support marginalised communities to build resilience to shocks, improve their financial health and increase income opportunities within our six target countries: Ethiopia, Malawi, Rwanda, Sierra Leone, Zambia and Nepal.

There is an intentional emphasis within this strategy on the urgent and ongoing climate crisis. The intersection between financial inclusion and environmental sustainability offers a range of development programming opportunities to address poverty, inequality, and environmental degradation simultaneously. Leveraging financial tools and services should enable individuals and communities to build resilience, adapt to the effects of climate change and engage in sustainable practices that contribute to the long-term health of the planet.

In implementing this financial inclusion strategy, JOA takes a market systems development approach that addresses financial inclusion barriers through facilitating a collaborative effort between governments, financial service providers, civil society, and other service providers and stakeholders.

The island of Jersey is known globally as a well-regulated international finance centre. This strategy describes the ways in which JOA seeks to leverage Jersey's reputational advantage, expertise, and resources to further our mission and development objectives.

Through our financial inclusion thematic focus, it is our ambition to provide a meaningful contribution to creating an inclusive financial sector that unlocks the full potential of individuals and enterprises, resulting in thriving, resilient and sustainable economies that leave no one behind.

4. About Jersey Overseas Aid

The island of Jersey is close to the French coast, measuring 45 square miles and with a population of 103,267 (2021). As a 'Crown Dependency' it is not part of the United Kingdom or the European Union but is a self-governing jurisdiction with its own government, laws, history, and traditions. Jersey Overseas Aid (JOA) is the Island's official, taxpayer-funded relief and development agency.

JOA is driven by a clear mission: to translate the generosity, skills, and compassion of the people of Jersey into effective assistance for the world's most vulnerable people.

JOA believes that the way to ensure its programming delivers the best value for money in a way that resonates with people from Jersey is to specialise in areas where the Island already has a comparative advantage. Therefore, JOA's strategic priorities mirror the Island's many areas of expertise: dairy and agriculture, financial services, and environmental conservation.

JOA's donorship and strategic advantage

JOA is a comparatively small government-funded donor with limited ODA (Official Development Assistance) resources and capacity. Despite our relative size, we have two key strategic advantages in financial inclusion which present opportunities for scale, force-multiplication and sustainable impact:

1. **Jersey's finance sector:** As an International Finance Centre, Jersey intermediates over £1.4 trillion of global capita. Our finance sector has a clear vision and strategy for driving capital towards sustainable objectives and is quickly growing its reputation in the field of environmentally and socially sustainable finance. Given that JOA's financial inclusion ambitions are so well-aligned to those of Jersey's finance sector, there is an opportunity to forge close ties and combine our skills, expertise and knowledge to further the island's overall sustainable development objectives.

2. **We are nimble:** Our small size makes us agile and responsive, qualities which lend themselves well to innovation and experimentation. Through partnering with the right actors and taking an informed approach to risk, JOA can be a catalyst for further investment, achieving impact beyond the reach of our limited financial and human resources.

To fully harness our strategic advantage, we recognise the utmost importance of being a learning organisation. Understanding the intricacies of the financial inclusion ecosystem in which we operate and establishing valuable relationships with key sector leaders and influencers are vital steps for us. Learning allows us to identify innovative approaches and best practices, uncover potential efficiencies, and gain valuable insights that can be disseminated. As we refine our understanding and expertise, we can collaborate more effectively with stakeholders, making our contributions to sustainable development even more meaningful and impactful.

3. Background and Context

Financial inclusion is a key enabler to reducing poverty and boosting prosperity. The Centre for Financial Inclusion defines it as: "A state in which all people who can use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. Financial services are delivered by a range of providers, most of them private, and reach everyone who can use them, including disabled, poor, rural, and other excluded populations."[1]

The use of financial services can reduce poverty by protecting and stimulating the income of people living in poverty or by achieving cost savings or efficiency gains that allow them to increase their household spending. Financial inclusion can boost the income of people living in poverty by financing new or expanding enterprises; enable people to manage risk and build resilience through savings, credit and insurance services; and expand employment opportunities.

In recent years, access to financial services has dramatically increased. In developing economies account ownership has grown by 30 percentage points, from 42% in 2011 to 71% in 2021, largely attributed to the quick and sustained adoption of mobile money services[2], supported by the proliferation of digital technology, government initiatives and private investments[3].

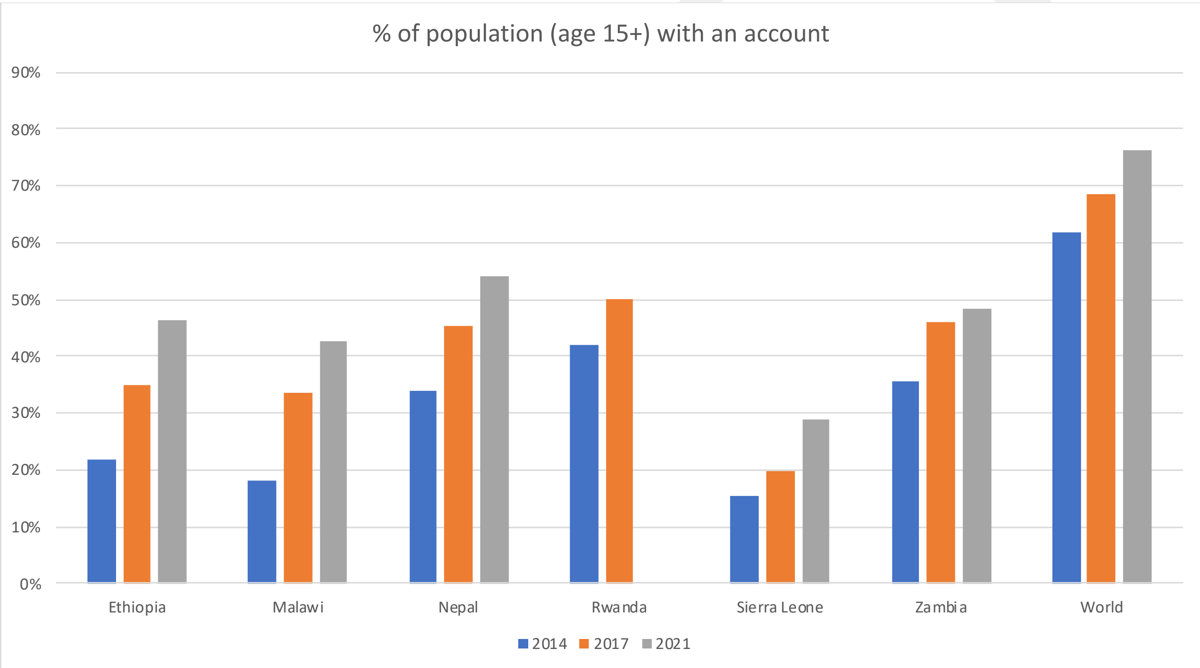


Figure 1: Source - Global Findex 2021

Yet, despite these promising statistics, access and utilisation is far from universal. Women, people living in poverty, persons with disabilities, the young and those living in rural locations all continue to have lower account ownership rates on average than men, higher earners, older adults, and those living in urban areas. Across JOA's six target countries, account ownership amongst men is 50%, whilst women are ten percentage points lower at 40%, youth are at 39% and people living in rural areas are at an average of 36%[2].

[1] https://www.centerforfinancialinclusion.org/financial-inclusion-glossary
[2] Global Findex Database 2021
[3] CGAP Strategic Evaluation, Final Synthesis Report 2022

3.1 Barriers and threats to financial inclusion

All of JOA's target countries have significant levels of poverty and income inequality. High inflation, slow economic growth and food scarcity is affecting people living in poverty the most. Although percentages of financial inclusion vary across each country (Sierra Leone having the lowest and Nepal the highest account ownership), the challenges and barriers are common to all six countries in varying degrees.

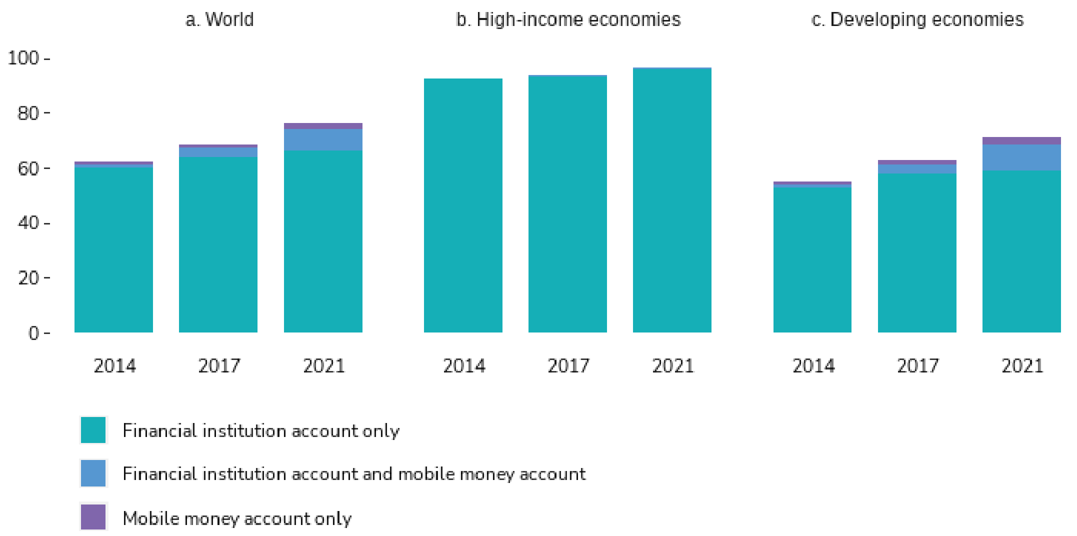
Cultural, social and gender norms

Deep rooted cultural, social and gender norms continue to be a root cause of why women and other marginalised groups are underserved or excluded from financial services. Women tend to be responsible for the majority of household and child/elderly care responsibilities but have limited financial decision-making authority. Such norms can also limit women's ability to acquire the income, technology and capabilities that are needed to access and benefit from financial services. Religious beliefs as well as social stigma can also limit people's engagement with formal financial services.

Mobile phone ownership

Digitisation in developing countries has resulted in an increase in DFS such as mobile money and e-wallets which are accessed via mobile phone. Lack of mobile phone ownership in low-income households is therefore a key barrier to financial inclusion, particularly among women, who are 17% less likely to own a mobile phone than men[4].

Figure 1.1.4
Mobile money accounts contributed to an 8 percentage point increase in account ownership in developing economies from 2014 to 2021
Adults with an account (%), 2014–21



Source: Global Findex Database 2021.

Identification and KYC ("Know Your Customer")

KYC (Know Your Customer) is a crucial process in the financial services sector aimed at verifying the identity in order to assess the risk associated with potential customers. While KYC serves as a mechanism to prevent financial crimes and ensure regulatory compliance, it can also pose significant

[4] GSMA | Our new data shows further slowdown in digital inclusion for women | Mobile for Development (2021)

barriers to financial inclusion. This is particularly relevant to people experiencing forced displacement (refugees) of which globally 7 million (20%) are hosted in least developed countries.[5]

The absence of formal identification, combined with de-risking practices by financial institutions such as the use of algorithms to determine credit worthiness further marginalise vulnerable communities, particularly women. Stringent regulations and high compliance costs can deter service providers from reaching underserved populations. The costs and administrative burden associated with KYC compliance can be prohibitive for institutions operating in resource-constrained environments, leading them to prioritise serving customers who are already financially well-established and perceived as 'lower risk'.

Infrastructure Challenges

These nations often face infrastructure constraints, including inadequate transportation networks, lack of interoperability between financial service providers, inadequate payment platforms, limited access to markets, electricity shortages, low internet penetration and network downtime. Insufficient infrastructure can impede economic growth and inhibit investment.

Limited access and agent networks

All six countries have traditionally faced challenges related to limited access to financial services, especially in rural and remote areas. Physical infrastructure, such as branches and ATMs, may be lacking, making it difficult for people to access formal financial institutions. Rural areas generally have fewer DFS options and agents, and agent liquidity challenges are more prevalent.

Lack of client-centric financial products and services available

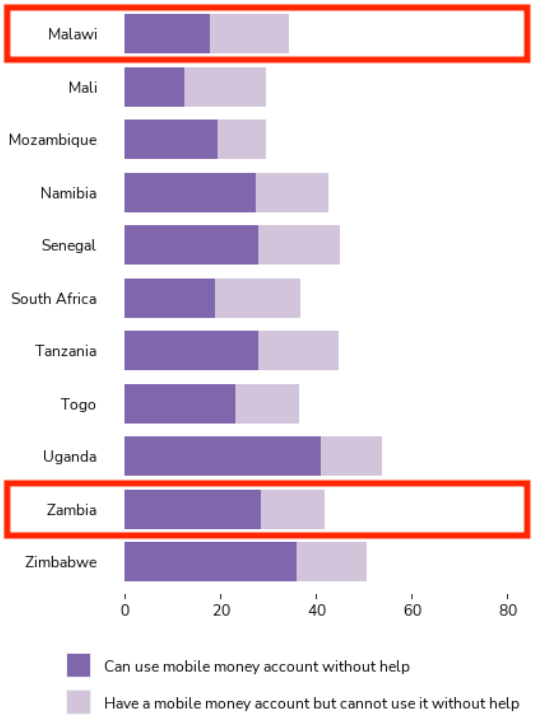
Financial service providers have traditionally prioritised products and services that cater to the needs of high-income individuals and large businesses, as opposed to low-income households, particularly women, the young and informally employed, who typically lack collateral or previous credit history. For the most part financial service providers do not invest in understanding the needs, preferences, and capabilities of these groups, and then designing services for them.

Lack of an enabling and inclusive policy and regulatory environment

Restrictive policy and regulation environments can result in unfavourable terms and conditions for opening accounts, cost-prohibitive financial services, weak consumer protection regimes, and predatory practices. Additionally, a lack of legal and regulatory framework for DFS and mobile banking may deter investment and innovation in this area. To overcome these barriers, a proportionate, risk-based approach is needed, striking a balance to promote financial inclusion while ensuring financial stability and consumer protection.

[5] Global Trends 2022 report (unhcr.org)

Figure 3.3.1
In Sub-Saharan Africa, about 30 percent of mobile money account owners, on average, need help to use their account
Adults with a mobile money account (%), 2021



Source: Global Findex Database 2021.

Low digital and financial literacy

Financially inexperienced users may not be able to benefit from account ownership if they don't understand how to use financial services in a way that optimises benefits and avoids consumer protection risks. Women are more likely than men to need help using their mobile money account. Because women are less digitally literate, the impact of fraud and other data issues are different and more consequential for women – as the most vulnerable, they have the least capability to cope, and recurring shocks have led to lower resilience and a reduced ability to recover. Research conducted by CGAP in Cote d'Ivoire found that women were more likely to lose money to scams (16% of women compared with 12% of men), have more difficulty navigating the menu of the digital finance offering through their phones (25% of women compared with 17%), and understand digital financial products less (22% of women compared with 18% of men).[6] People who are new to formal financial services are more vulnerable to financial abuse such as unexpected fees, fraud and data misuse.

Lack of trust and consumer protection

DFS introduce risks to consumers some of which have worsened over time. CGAP has grouped these risks into four broad types: fraud, data misuse, lack of transparency and inadequate redress mechanisms[7]. These risks can erode trust in formal financial services, limiting the potential for socio-economic advancements.

3.2 Opportunities for financial inclusion

Across JOA's target countries, there have been recent increases in account ownership and technological advances. Although mobile money was originally intended to enable people to send and receive remittances and soon after to facilitate merchant payments, it is increasingly used as a tool for saving and borrowing money.

COVID-19 also catalysed growth in the use of digital payments: around 6% of adults in developing economies paid utility bills from an account for the first time during the pandemic. According to the latest Global Findex data[8], in 2021, 39% of adults in developing economies opened their first account (excluding mobile money) at a financial institution specifically to receive a wage payment or emergency assistance payment from the government.

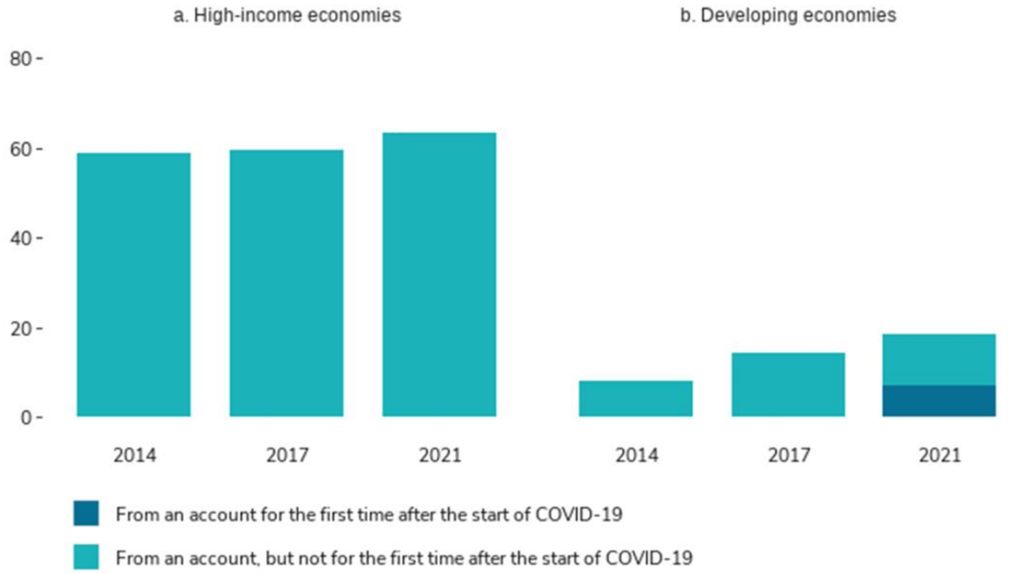
[6] CGAP and Côte d'Ivoire's Ministry of Economy and Finance Host Roundtable | CGAP: https://www.cgap.org/news/cgap-and-cote-divoires-ministry-of-economy-and-finance-host-roundtable

[7] https://www.cgap.org/sites/default/files/publications/slidedeck/2022_02_Slide_Deck_DFS_Consumer_Risks.pdf

[8] https://www.worldbank.org/en/publication/globalfindex

In developing economies, more than a third of adults paying utility bills from an account did so for the first time after the start of the COVID-19 pandemic

Adults paying utility bills in the past year (%), 2014-21



Source: Global Findex Database 2021.
Note: Data on making a payment from an account for the first time after the start of COVID-19 are available only for developing economies.

Other opportunities for financial inclusion in JOA's target countries include:

Regional economic integration

Malawi, Zambia and Rwanda participate in regional trade agreements or economic communities, such as the East African Community (EAC) or the Southern African Development Community (SADC). These partnerships aim to boost trade, enhance regional economic integration, and facilitate economic cooperation.

Government Initiatives

Governments have implemented various economic reforms and development strategies to attract investment, stimulate growth, and reduce poverty. Governments of all six of JOA's target countries have established a national financial inclusion strategy or action plan that prioritises inclusive access to financial services within their respective countries. With financial inclusion playing a vital role in reducing poverty and income disparity, it is emerging as a top priority for policymakers and regulators, alongside enhancing the business environment and promoting private sector development and investment.

Global commitments

The Maya Declaration involves commitments from the Alliance for Financial Inclusion (AFI) member institutions (which include all six of JOA's target countries), including central banks, regulatory agencies, and other relevant authorities. The declaration encourages signatories to take specific actions and measures to advance financial inclusion within their respective jurisdictions. These actions are designed to address barriers and challenges that hinder access to financial services for the unbanked and underserved populations.

Impact investment appetite

Impact investing offers a powerful avenue to promote financial inclusion by deploying capital towards ventures that address the challenges of underserved communities and create positive change in the financial landscape. It combines financial viability with social impact, driving sustainable progress and greater economic empowerment for marginalised populations. As international financial institutions (IFIs) and the private sector increasingly prioritise socially and environmentally responsible investments, impact investors can direct financial resources, expertise, and innovative market-driven solutions towards promoting financial inclusion. By aligning financial interests with social objectives, impact investors contribute to positive societal change while also achieving financial returns, exemplifying the concept of 'doing well by doing good.'

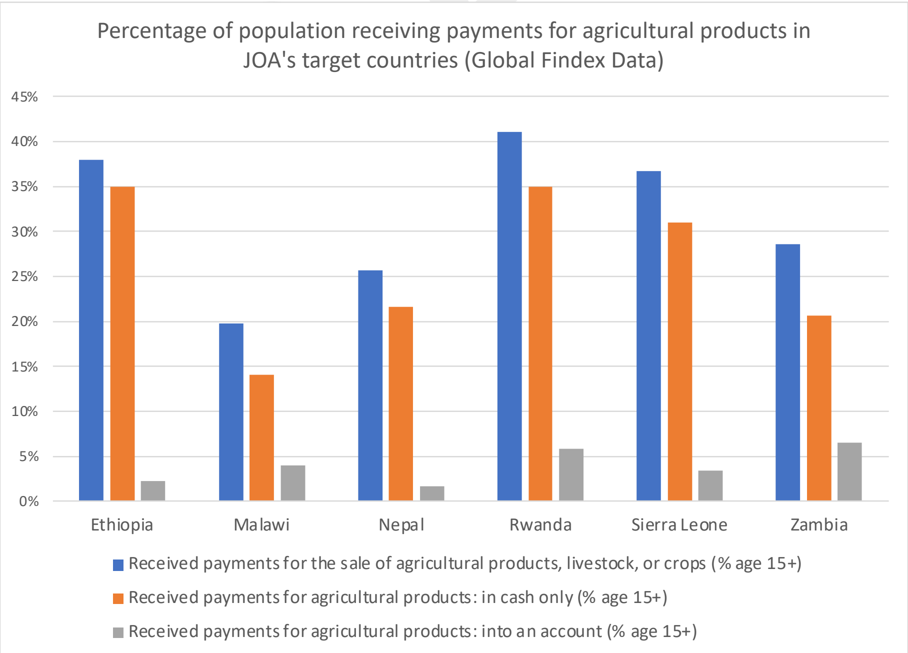
Informal Financial Services

In all six countries, informal financial service providers, such as VSLAs, savings groups, cooperatives, and community-based institutions, play a significant role in providing financial services to the unbanked population. These informal mechanisms are often more accessible and tailored to local needs and capacities.

Inclusive green finance

Inclusive Green Finance (IGF) is an emerging policy priority within UNFCCC / COP and championed by central banks and financial regulators to help mitigate, and build resilience to, the negative impacts of climate change and biodiversity loss. AFI member institutions agree that “policies must address climate change without leading to financial exclusion, and that actively promoting financial inclusion as a tool for climate mitigation and adaptation, reduces environmental degradation, as established in the Sharm El Sheikh Accord (2017) and renewed at the Dead Sea (2022).”[9].

Digital innovation



Digital, data and technology have proven to be enablers for financial inclusion (for example, M-PESA in Kenya). In all of JOA’s target countries, mobile phone ownership, network infrastructure and access to DFS are increasing. This brings opportunities to reduce the cost and increase the quality and availability of financial services to marginalised, underserved communities. For example, using data

9 https://www.afi-global.org/wp-content/uploads/2022/11/Roadmap-for-Inclusive-Green-Finance-Implementation_isbn.pdf (Inclusive Green Finance Working Group and University of Luxembourg, 2022)

trails from mobile accounts as a tool for credit scoring, and using interoperable payment system technologies to enable fast, secure payment transfers.

4. Cross-cutting principles – how will financial inclusion be achieved?

This strategy is organised around four key principles which will guide us towards achieving our aim as a donor and our ambition to achieve force-multiplication, sustainability and scale:

a. Climate intentional
b. Local knowledge, voice and leadership
c. Action research and innovation
d. Systemic change

A. Climate-intentional

> *"In a pessimistic development scenario, climate change could drag more than 100 million people into poverty by 2030. This number can be reduced to fewer than 20 million, if rapid, inclusive, and climate-informed development is combined with targeted adaptation actions."* [10]

JOA welcomes proposals that improve environmental outcomes and/or promote climate change adaptation/mitigation as an intended consequence of financial inclusion programming.

The intersection between financial inclusion development programming and environmental sustainability is a growing area of focus that recognises the interdependence of economic development and environmental well-being. This intersection acknowledges the need to address poverty and inequality while also ensuring the long-term health of the planet.

The World Bank's report "Shock Waves - Managing the Impacts of Climate Change on Poverty"[11] recommends integrating climate change considerations into policies to promote low-carbon development and investing in climate-resilient infrastructure. It also promotes access to finance and technology for climate change adaptation and mitigation efforts.

B. Local knowledge, voice and leadership

The full and active participation of local people and the recognition of their rights is of principal importance. The knowledges, needs, and voices of resident and Indigenous communities must occupy a central position in problem identification and prioritisation, project design and delivery.

Jersey Overseas Aid will require evidence of completed or proposed consultation with local people at the proposal stage and at least one partner in the project consortium must be a locally led organisation. Proposals should demonstrate the ways in which interventions and their delivery will integrate with or connect to existing community-based groups and networks.

C. Action Research and innovation

JOA recognises the need for innovation and action-research in financial inclusion programming. We encourage an agile approach that integrates an element of informed experimentation and piloting of initiatives. Through supporting pilots and action-research projects, we hope to unlock larger long-term funding from other sources. Proposals which position themselves to leverage additional and/or sustainable funding more effectively as a result of project activities are especially welcome. So too are pilot projects that present innovative approaches yet to be 'field tested' but which, if successful, promise to deliver impact at scale.

[10] Shock Waves: Managing the Impacts of Climate Change on Poverty (worldbank.org)

D. Systemic change

As a relatively small donor, JOA seeks to be a force-multiplier, catalysing sustainable impact at scale. The resources that we have available to support initiatives that seek to address both poverty alleviation and climate change are limited. It's therefore a priority that projects address the underlying market constraints and systemic barriers that hinder access to financial services for marginalised populations. By adopting a market systems approach, JOA recognises that sustainable and scalable solutions require interventions that go beyond direct service provision. They focus on strengthening the overall financial ecosystem, promoting competition, enhancing regulatory frameworks, and fostering innovative partnerships. This approach aims to create an enabling environment where market actors, including financial service providers, can effectively meet the diverse needs of underserved individuals and enterprises, leading to long-term and inclusive economic growth.

5. Target Segments

Proposals should target one or more of the following segments:

5.1 Women

Gender disparities in access to financial services and resources can perpetuate existing inequalities, limit economic opportunities for women, and hinder their social and economic empowerment. Women's participation in the economy is not only a matter of fairness, but also essential for overall economic growth. FAO estimates that women make up 43% of the agricultural workforce globally, rising to 60% in least developed countries yet face multiple constraints including access to finance.[11]

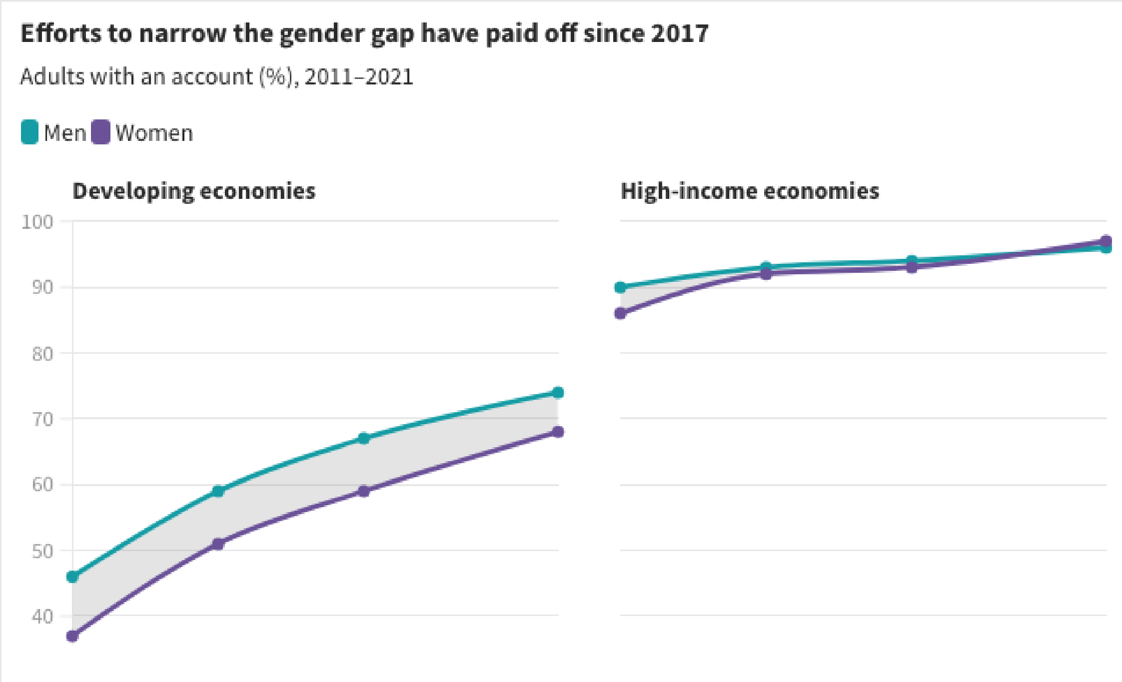
When women have access to financial services and resources, they can start and expand businesses, invest in education and healthcare, and financially contribute to their families' well-being. With women typically spending more of their income on food, education, healthcare, and housing, increasing their financial clout can result in a much wider developmental impact. Climate change compounds these challenges as women bear a disproportionate burden, being primary collectors of water and food, and facing heightened risks of violence and exploitation during displacement.

While the gender gap in account ownership across developing economies fell from 9% to 6% in 2021[12], there remain significant disparities in both access and utility of financial services. These disparities impede women's economic opportunities and increase their vulnerability to financial exploitation.

Although the expansion of women's participation in the economy can have a resulting effect of increasing labour expectations of women (which are already high and split across productive, domestic and community responsibilities[13]), by supporting women with better access to affordable, appropriate and accessible financial services and products, technologies and education, and improving incomes, this impact can be mitigated.

In all of JOA's target countries women represent a significant portion of the population and have a crucial role in the economy. Through targeting women and expanding addressing gender-specific challenges, JOA aims to increase women's economic empowerment, build resilience and improve the financial health of individuals and their households.

[11] FAO - State of Women in Agri-Food Systems (2023)
[12] Findex 2021 Gender Brief: https://thedocs.worldbank.org/en/doc/0254f85d1cceceb6e72362a71eb600e4-0430062023/original/Findex2021-GenderBrief-030823.pdf
[13] UN Women 2019 World Survey on the Role of Women in Development



5.2 Agriculture (smallholder farmers and pastoralists)

In JOA's six target countries, most of the population live in rural areas and depend on subsistence farming or informal sectors for their livelihoods. Agriculture holds significant importance in the economies of these countries, with smallholder farmers playing a critical role in food production and income generation for a large portion of the population.

However, smallholder farmers in these regions face numerous challenges, making them one of the most impoverished and vulnerable groups. High inflation, food scarcity, and climate change disproportionately affect them. Moreover, they lack access to appropriate and quality financial services, which hampers their ability to invest in quality inputs, adopt improved farming techniques, and effectively manage risks.

Agricultural value chains are inefficient, and farmers lack information about markets, factors which limit their productivity and earning power. The sector remains heavily cash-reliant which generates security risks and results in high transaction costs.

Access to financial services can facilitate investment, improve productivity, and enable farmers to participate more effectively in agricultural value chains. Through inclusive financial solutions, farmers can mitigate the limitations they face, such as lack of working capital, and access affordable credit, savings, and insurance products. This, in turn, empowers farmers to adopt climate-smart farming techniques, improve resource management, and mitigate climate-related risks through insurance coverage.

Smallholder farmers and pastoralists play a crucial role in the agriculture-dependent economies of JOA's target countries. By empowering smallholder farmers and pastoralists with financial services, our aim is to boost agricultural productivity and food security, build resilience, improve financial health and protect the complex ecologies that well-managed smallholder farming and pastoralist systems maintain.

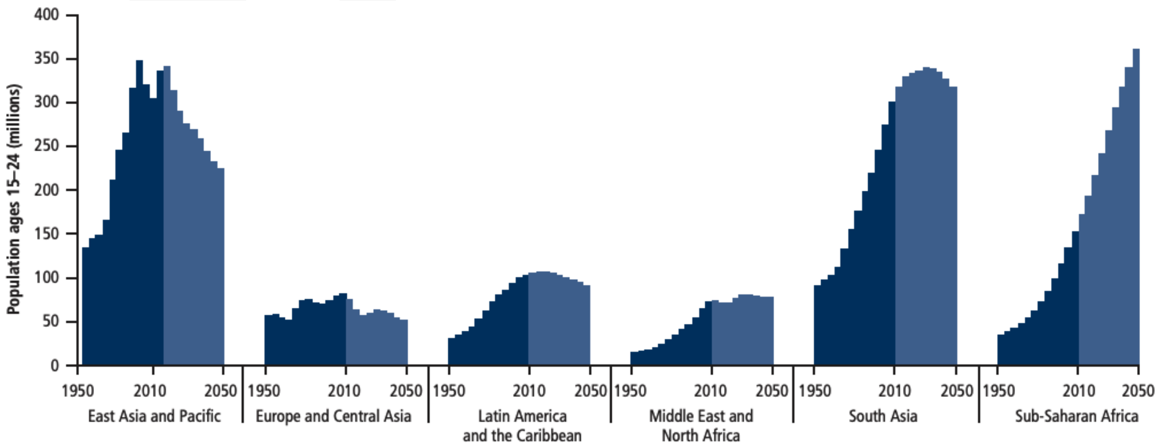
5.3 Young adults

Young adults often face barriers to financial inclusion due to their limited income, low employability and lack of credit history, resulting in financial institutions perceiving them as high-risk. Low levels of financial literacy make it difficult for them to navigate the financial system and make informed decisions to effectively manage their money.

The financial product needs of young people vary and evolve depending on their age, gender, personal circumstances, life stage and socio-cultural factors. As they reach the age of maturity and beyond, young people's financial service needs develop and grow, depending on their life course. Credit, insurance or investment products become more appropriate as young people transition towards independent and autonomous life and pursue further education and/or employment. [14]

Young adults are an important segment in achieving financial inclusion in JOA's six target countries due to their demographic significance, their economic and social transformation potential, and their high rate of technological adoption.

- **Demographic significance:** Young people are highly represented in JOA's target countries. According to the United Nations, 70% of Sub-Saharan Africa is under the age of 30[15]. Given their substantial representation, targeting young people in financial inclusion efforts becomes essential to ensure inclusive economic growth and development.
- **Digital natives:** All of JOA's six target countries have witnessed rapid technological advancements, particularly in mobile and digital technology. Young people are typically early adopters of technology, making them more inclined to embrace digital financial services. By targeting youth in financial inclusion efforts, it becomes easier to leverage digital platforms, mobile banking, and digital payment systems to extend financial services to previously unbanked or underserved populations.
- **Agents of change:** Young people can become agents of change within families and communities. They can influence their peers, families, and future generations to develop financial capabilities, saving habits, and other positive financial practices, thus creating a ripple effect that extends beyond individual impact, and breaks the cycle of inter-generational poverty.



Source: Based on United Nations 2011.
Note: Each bar shows an estimate or a projection of the number of 15- to 24-year-olds for one year at five-year intervals.

Figure 2: Unlike in other regions, the number of young people in Sub-Saharan Africa will increase dramatically in the near future

[14] Advancing the Digital Financial Inclusion of Youth (OECD 2020)
[15] https://www.un.org/ohrlls/news/young-people%E2%80%99s-potential-key-africa%E2%80%99s-sustainable-development

Demographic classifications of 'youth' vary globally and nationally. For example, the African Union define youth as individuals between 15-35 years, the United Nations uses 15-24 years, and the Malawi government considers 10-35 years as youth.

For the purposes of this strategy, JOA considers 'young adults' to encompass people who have left school, are entering the workforce, or starting a family. As such, we support a contextualised approach, whereby the specific needs and circumstances of those who are at the transition point to entering the workforce are prioritised over age range brackets.

By including young adults in the formal financial system and promoting sustainable livelihoods, we aim to promote young peoples' economic prospects and contribute to overall socio-economic development in the country.

5.4 Target segment considerations

In focussing programming on one or more of these segments, it's crucial that the principles of 'leaving no one behind' and 'do no harm' are upheld to ensure inclusivity and prevent any unintended negative consequences.

"Leaving no one behind"

Projects should ensure that marginalised, disadvantaged, and vulnerable individuals within target segments will be intentionally included in the design and implementation to ensure equal and meaningful access to financial services and opportunities.

Key aspects and considerations may include:

- Inclusive design: This involves understanding the specific barriers that people face, such as limited financial literacy, lack of identification documents, social exclusion, or physical accessibility issues. Where possible, programs should adapt their offerings and delivery channels to ensure they are accessible and relevant to these populations.

- Targeting and Outreach: To reach those who are most excluded or underserved, financial inclusion programs should adopt targeted outreach strategies. This may involve collaborating with community-based organisations, leveraging local networks, and conducting awareness campaigns to reach marginalised populations. Proactive efforts should be made to engage and include groups such as persons with disabilities, older people, displaced people and ethnic minorities.

- Customised Solutions: Recognising that different segments of the population have distinct needs and preferences, financial inclusion programs should increase the availability and uptake of appropriate and relevant financial products and services. This may include microfinance, savings groups, mobile banking, or other innovative approaches that suit the diverse needs of different groups.

- Affordability and Accessibility: Financial services must be affordable and accessible to all, irrespective of income or geographic location. This includes minimising fees, transaction costs, and other barriers that might exclude individuals from participating in the formal financial system. Expanding physical access points, such as branches or agent networks, and leveraging digital technologies can enhance convenience and reach.

- Empowerment and Capacity Building: "Leave no one behind" requires going beyond mere access to financial services and empowering individuals to utilise them effectively. Financial literacy and education programs can enhance the knowledge and skills needed to make informed financial decisions. Additionally, providing training and support for entrepreneurship and livelihood development can help marginalised individuals build their financial capabilities and improve their economic well-being.

“Do No Harm”

The principle of "do no harm" in financial inclusion programming refers to the ethical and responsible approach that aims to minimise negative impacts on individuals and communities while promoting financial inclusion. It recognises that well-intentioned initiatives can inadvertently cause harm if they are not carefully designed and implemented. The principle highlights the importance of considering potential risks and taking proactive measures to mitigate them.

Key aspects and considerations may include:

- Client protection: Prioritising the protection of clients’ interests and rights through transparency, fair treatment and responsible lending practices. Financial products and services need to have clear information about fees, terms and conditions, and safeguard against over-indebtedness and predatory practices.

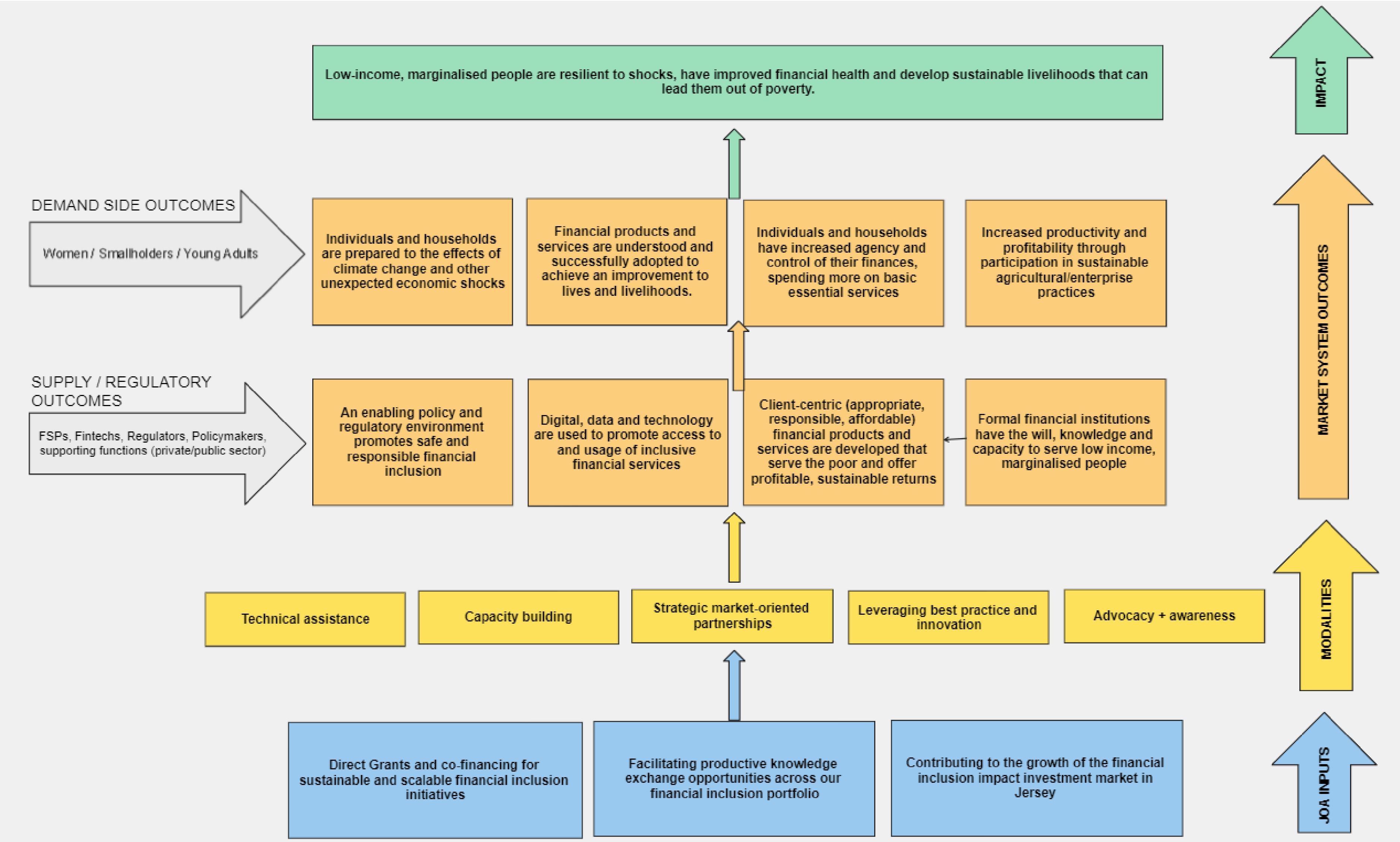
- Privacy and Data Security: Financial inclusion initiatives often rely on the collection and analysis of personal data. The "do no harm" principle requires implementing robust data protection and privacy measures to safeguard individuals' confidential information. Adequate data security protocols should be in place to prevent unauthorised access, misuse, or breaches.

- Suitability and Responsiveness: Financial products and services should be suitable for the specific needs, circumstances, and capacities of the target population. This requires conducting market research and needs assessments to ensure that the offerings are relevant and appropriate. Programs should be flexible and responsive, adapting to evolving customer needs and feedback.

- Stakeholder Engagement and Feedback: The "do no harm" principle emphasises inclusive decision-making processes and mechanisms for soliciting feedback. Regular communication channels should be established to address grievances, gather insights, and incorporate stakeholder feedback into program design and implementation.

- Collaboration and Coordination: Financial inclusion programming should strive for coordination and collaboration among various stakeholders, including government agencies, private sector actors, civil society organisations, and development partners. Effective coordination minimises duplication of efforts, enhances efficiency, and ensures a cohesive approach to financial inclusion.

6. Theory of Change



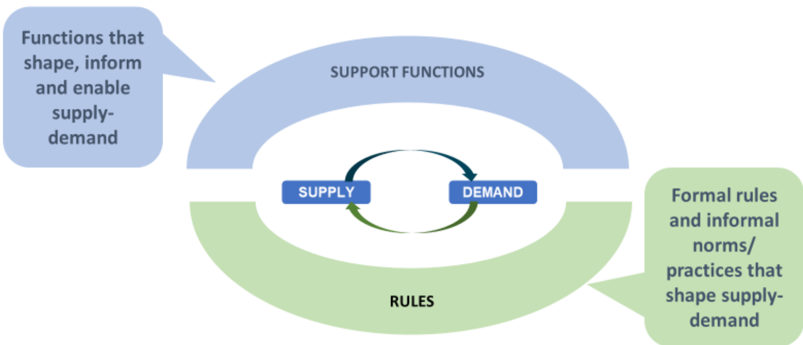
6.1 Introduction to JOA's Financial Inclusion Theory of Change

JOA's theory of change has been designed to address key barriers and capitalise on opportunities identified in earlier sections of this strategy. It is based around a market systems approach which applies the operational principles of **facilitation** and **adaptive management** to achieve **systemic change**.

JOA seeks to develop the foundation for **market systems** to meet future challenges resulting in *sustained* positive development outcomes at scale, rather than impact that is short-lived. The key terms that are used when describing the market systems approach can be defined as:

> ***Systemic change:*** a sustained shift in the underlying working of a system (incentives, capacities and relationships of market actors) which leads to positive development outcomes.
>
> ***Facilitation:*** Playing a temporary role to catalyse change; encouraging and assisting market actors to take on, and pay for, key functions.
>
> ***Adaptive management:*** Structured, iterative process of decision-making in the face of uncertainty applying feedback loops to test a range of potential solutions addressing underlying causes.
>
> ***Market system:*** multi-function, multi-player arrangement comprising the core function of exchange by which goods and services are delivered and the supporting functions and rules which are performed and shaped by a variety of market actors.

The figure below provides a generic overview of a market system. Systems are always both sector and context specific. The approach begins analysis with understanding the structure of the chosen system with a focus on support functions and rules, then determining 'who' i.e. which market actors are currently doing and paying for each function/rule. Key to the approach is the recognition that each support function or rule can be seen as a system in their own right. Market actors may be from the private, public or civil society, and a combination of types of actors is usually required for a system to function well and be inclusive.



JOA's theory of change visually summarises JOA's overarching intended **impact**. Working down from the impact statement, the ToC describes **supply, demand, regulatory and support function outcomes** related to market actors and then goes into the **modalities** in which JOA-funded partners will facilitate and catalyse change. Lastly, it describes JOA's inputs, that is our role and contribution as a donor and facilitator.

The next section of this strategy expands on the theory of change diagram, breaking down each section of the ToC and providing examples in the narrative of the types of activities that we may expect to see. The examples also describe how climate change adaptation, mitigation and resilience could be integrated into financial inclusion approaches.

6.2 Impact statement

Through our Financial Inclusion programming, JOA aims to achieve the following impact:

Low-income, marginalised people are **resilient to shocks**, have improved **financial health** and develop **sustainable livelihoods** that can lead them out of poverty.

The key terms within this impact statement can be broken down as follows:

1. **Resilience to shocks**

Climate change, natural disasters, disease, political unrest and food insecurity can rapidly counter economic gains and lead households into extreme poverty and cycles of debt. Financial inclusion builds resilience to shocks by creating a financial buffer to cope with these emergencies. Financial products and services such as insurance (health, crop or livestock), savings, access to credit or digital payment systems can help ensure continuity of economic activities and a fast response to disasters.

2. **Improved financial health**

Financial health refers to the overall state of an individual or household's ability to invest in basic services like clean water and sanitation, housing, energy, food, education and healthcare. UNSGSA define it as "the extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future". It involves the ability to manage financial resources effectively, make informed decisions and maintain financial stability in the short and long term. Financial health encompasses various aspects, including income, expenses, savings, debt management, investments and financial goals. Improved financial health gives people greater control over their financial lives so that they can participate actively in economic and social systems, promoting a more inclusive and equitable society.

3. **Investment in sustainable livelihoods**

Financial inclusion provides the tools for people to increase and stabilise their income through developing or diversifying their livelihood opportunities. The term 'sustainable' is intentionally used to highlight that livelihood opportunities need to be able to withstand the impacts of climate change, don't deplete natural resources and minimise environmental impact. Livelihoods should meet the needs of the people within the means of the planet, creating thriving economies without leading to over consumption and further environmental degradation.

6.3 Demand side outcomes

This section describes the demand side outcomes for target segments: women, smallholder famers and young adults. The blue boxes describe examples of the types of activities that JOA envisages would contribute to achieving the stated outcome.

1. **Financial products and services are understood and successfully adopted to achieve an improvement to lives and livelihoods.**

Types of activities may include:

- Financial and digital literacy training that empowers underserved people with the knowledge and skills to choose and adopt financial products and services responsibly and safely;
- Awareness raising of a diverse and useful set of financial products and services that enable investment into climate-smart agriculture and food systems;

- Support to increase the adoption of savings, credit and loans from formal financial institutions for a specific purpose such as organic farming inputs, home improvements, education, improved sanitation, or green livelihoods;
- Training young people to develop their financial literacy skills including learning about financial concepts, such as budgeting, saving, investing, and responsible borrowing.

2. Increased preparedness and resilience to the effects of climate change and other unexpected economic shocks

Types of activities may include:
- Support to increase the adoption of credit and savings products from formal financial institutions that can provide income smoothing during emergencies;
- Training on climate-smart agricultural practices such as drought-resistant crops that can prevent losses as a result of climate-related disasters such as flooding or droughts;
- Support to increase the use of index-based crop and livestock insurance products that provide protection from financial losses as a result of climate change;
- Support to increase the adoption of credit to enable investment in flood-resistant housing and sustainable water systems to prevent financial losses and ill-health as a result of climate change.

3. Women have increased agency and control of household finances, spending more on basic essential services (e.g., housing, health, education, clean water and sanitation)

Types of activities may include:
- Gender Equality training in communities;
- Digital and financial literacy training for women;
- Support to increase women's awareness of available financial products and services that can provide financing for essential services (for example, micro loans for education, health and housing);
- Promoting access to finance for energy-efficient appliances and clean energy solutions.

4. Increased productivity and profitability through participation in sustainable agricultural/enterprise practices

Types of activities may include:
- Support to increase the use of savings, credit and loans for farming and business inputs that result in higher yields and incomes;
- Awareness raising to increase the use of financial products and services that support eco-friendly/green/sustainable businesses such as organic farming;
- Green business development training that is based on the use of renewable resources and leads to sustainable income generation and job creation.

6.4 Supply/Regulatory outcomes

This section describes outcomes related to actors concerned with the supply of financial services and other supporting market functions including FSPs, fintechs, supporting function providers (some will be private, some public), and government bodies including regulators and policy makers.

1. **An enabling policy and regulatory environment that promotes safe and responsible financial inclusion**

Types of activities may include: ▪ Policy and regulatory capacity building /technical assistance that facilitates better transparency and consumer protection from risks such as fraud, scams, data misuse and inadequate redress mechanisms; ▪ Training of policymakers, regulators and supervisors on inclusivity to foster the production of better financial products for marginalised people; ▪ Facilitating the development of innovative ways to assess the credit worthiness of poor, marginalised and excluded clients; ▪ Facilitating the development of appropriate and supportive regulations for mobile banking and digital financial services that encourage FSPs to reach poor and marginalised communities.

2. **Digital, data and technology are used to promote access to and usage of inclusive financial services**

Types of activities may include: ▪ Facilitating fintechs and FSPs in the creation of client-centred products that increase reach of financial services to marginalised communities through digital technology; ▪ Facilitating FSPs to use data and technology to generate credit scores that can serve as collateral, resulting in greater access to finance; ▪ Facilitating the digitisation of agricultural value chains for smallholder farmers using data analytics, automation and cloud computing to streamline processes involved in agricultural production, distribution and marketing. ▪ Create a virtual marketplace to connect farmers to markets via their mobile phones. ▪ Facilitating the use of technology to enable access to information about prices for agricultural yields; ▪ Linking the informal sector to the formal sector through innovative approaches to the digitalisation of savings groups. ▪ Facilitating the development of infrastructure that enables cash-in, cash-out (CICO) transactions through overcoming challenges such as agent liquidity, access points, systems interoperability and security and fraud risks.

3. **Client-centric (appropriate, responsible, affordable) financial products and services are developed that serve the poor and offer profitable, sustainable returns**

Types of activities may include: ▪ Facilitating the development of human-centred financial products and services for marginalised target groups and associated market actors;

- Facilitating the development of financial products for young people (for example, savings accounts that have low opening and maintaining costs and do not penalise holders for periods of inactivity or flexible and low-interest loan products)

4. **Formal financial institutions have the will, knowledge and capacity to serve low-income, marginalised people**

Types of activities may include:
- Training and capacity building of formal financial institutions on human-centred and gender inclusive product design;
- Facilitating and incentivising financial institutions to pilot commercially viable products and services with hard-to-reach communities and marginalised groups;
- Delivering affordable, trusted, transparent and safe financial products and services (particularly DFS) that increase women's economic agency and promote sustainable livelihoods;
- Training and capacity of FSPs on de-risking practices such as the use of algorithms to determine credit worthiness of financially excluded low-income people;
- Building the business case for lending to perceived 'high risk' clients such as smallholder farmers to prove that it makes good business sense for FSPs;
- De-risking lending to perceived 'high risk' groups through blended finance, loan guarantees and special purpose vehicles.

6.5 Modalities

The role of the implementing partner is critical to the success of a market systems development approach. They act as the facilitator, identifying and addressing constraints throughout the process and ensuring that the foundation is laid so that the market system is equipped to meet future challenges and create long term impact beyond the end of the project.

This 'modalities' section within the Theory of Change describes in broad terms the ways in which the project implementation partners will facilitate the intended outcomes.

1. **Technical assistance**

Technical assistance in the context of financial inclusion programming refers to the provision of specialised knowledge, expertise and advisory support to help organisations and individuals improve their technical skills, operational efficiency and overall performance. Implementing partners (market facilitators) may provide short-term practical inputs and engagements to providers such as banks, MFIs (Microfinance Institutions), non-bank financial institutions (such as cooperatives), local and national government entities such as regulators and policymakers, supporting function providers and other stakeholders to achieve market system change leading to desired outcomes.

Examples of technical assistance might include:
- Facilitating the set-up of credit scoring models and risk assessment practices to better assess the creditworthiness of underserved individuals who would otherwise be excluded due to lack of traditional collateral or credit history.
- Supporting the integration and adoption of more efficient technologies such as core banking systems and other value-added services to strengthen the ability of financial institutions to reach underserved people.

- Providing specialist consultancy services to strengthen specific areas such as human-centred design, gender inclusion, marketing, outreach or strategic direction.
- Supporting financial institutions and MNOs to develop digital payment platforms that can help expand access to financial services to remote and underserved communities.
- Supporting financial institutions to strengthen their risk management and compliance frameworks that can foster trust in the financial system.
- Supporting financial institutions to develop specialised products to the underserved, such as agricultural loan products and index-based crop and livestock insurance.
- Providing policy and regulatory assistance to governments and regulatory authorities foster inclusive regulatory frameworks, DFS regulations and agent banking guidelines that expands access to formal financial services.

2. Capacity building

Although related to 'technical assistance', capacity building is broader in scope as it may encompass support to individual consumers or enterprises ('demand-side') as well as the providers ('supply-side' and other supporting functions). Capacity building refers to strengthening the knowledge, skills, abilities and resources of individuals and organisations to achieve effective and sustainable impact.

Examples of capacity building might include:

- Providing financial education and training to empower individuals with the knowledge and skills to make informed financial decisions, manage their money and access financial services effectively.
- Providing business education and training to empower individuals with knowledge about markets, marketing and entrepreneurship so that they can develop productive livelihoods and diversify their income.
- Staff training programmes, workshops and mentoring within MFIs on areas such as governance, DFS product development or consumer protection.
- Training regulatory supervisors and policy makers to be more risk-based in their approach, to design inclusive regulatory frameworks, to foster an enabling environment for DFS or to promote consumer protection.
- Developing data analytics capabilities within financial institutions and regulatory bodies so that they can identify trends, gain insights into customer behaviours and tailor their financial products and services.

3. Strategic market-oriented partnerships

Developing and maintaining effective partnerships is an essential part of the implementing partner's role as 'market facilitator' and is a key aspect to achieving sustainable and scalable impact. Strategic partnerships are about identifying the right market actors (downstream partners) and engaging with them effectively. However, partnerships are time-consuming and fallible, so it's important that partners are chosen wisely and managed effectively.

As a market-focused donor, JOA appreciates that the financial ecosystem is made up of a complex web of many interconnected actors that include formal financial institutions, non-bank financial institutions, fintechs, government regulators and policymakers, NGOs, civil society organisations, community organisations and other commercial private sector organisations. It is therefore critical that project implementation teams have a collaborative and market-oriented mindset and engage partners who share their vision and have a strong incentive to commit.

Examples of the types of collaboration and market facilitation that we welcome include:

- Partnerships between financial regulators and industry actors that result in the development of inclusive regulatory frameworks that promote innovation, consumer protection and market growth.
- Collaborations between different types of financial institutions to help expand access through guarantee or liquidity provision.
- Collaborations between MNOs and Financial institutions to expand reach of financial services to underserved communities.
- Collaborations between fintech's, financial institutions and private sector actors that participate within specific value chains to maximise income opportunities for underserved, marginalised communities.
- Knowledge sharing across diverse stakeholders to promote inclusive and human-centred products and services and other best practices.
- Facilitating linkages between producers and buyers within agricultural value chains to provide market information, access to farming inputs and help negotiate fair prices and better profitability for farmers. By connecting farmers to reliable and profitable markets, partnerships contribute to increased income and economic growth within the value chain.
- Facilitating linkages between farming cooperatives and financial service providers and insurance companies to expand the reach of tailored financial products such as agricultural loans, savings and insurance to farmers.
- Collaboration between technology providers/fintechs, research institutions, and value chain actors enables the introduction of improved farming practices, post-harvest technologies, and digital tools. These innovations can enhance productivity, reduce post-harvest losses, improve traceability, and promote sustainable agriculture practices, ultimately contributing to increased profitability and competitiveness within the value chain.

JOA is looking for lead organisations to have a deep understanding of roles, responsibilities and constraints of down-stream partner actors, their credibility in the marketplace, their capacity and skill levels, their motivations and ambitions, the value that they bring to the project, and the value-proposition that the project would bring to them. Above all, there needs to be strong willingness from down-stream partners to actively and continually engage.

4. Leveraging best practice and innovation

The term "innovation" in the sense of financial inclusion programming is not limited to new technologies, products, services or approaches. Innovation can also encompass tweaking something that works, building on best practice, or repurposing an existing technology, product or service in a new context.

Examples of leveraging best practice and innovation include:

- Mobile Money: Sub-Saharan Africa has been at the forefront of mobile money innovation, with Kenya being a prime example. M-Pesa, launched by Safaricom in 2007. M-Pesa revolutionised financial inclusion by providing access to basic banking services to millions of unbanked individuals. The success of M-Pesa has inspired similar or add-on mobile money initiatives such as M-Shwari which enables people to save and access credit and micro-loans through mobile banking.
- Agent Banking: Agent banking has played a crucial role in expanding financial services in rural areas of Sub-Saharan Africa and Asia. By leveraging a network of authorised agents, who act as intermediaries between banks and customers, financial institutions can provide basic banking services like deposits, withdrawals, and transfers in areas with limited or no physical bank

branches. For example, Equity Bank in Kenya established an extensive agent banking network, enabling individuals in remote regions to access financial services easily.

- Digital Wallets: In Nepal, digital wallets have gained popularity as an innovative solution for financial inclusion. Platforms like eSewa and Khalti allow users to store money digitally, make payments, and even pay utility bills using their mobile phones. These digital wallets have facilitated access to financial services, particularly for individuals without traditional bank accounts, and have reduced the reliance on cash transactions.
- Biometric Identification: In several countries, including Kenya and Uganda, the use of biometric identification systems has been adopted to enhance financial inclusion. By linking individuals' unique biometric data (such as fingerprints or iris scans) to their financial accounts, it becomes easier to verify identities and provide secure access to financial services. This technology has helped address issues of identity verification and reduced the risks associated with fraud and duplicate accounts.

5. Advocacy and awareness

Advocacy and awareness are instrumental in mobilising support, shaping policies, building capacity, and fostering collaboration among stakeholders across both the supply and demand side.

Examples of advocacy and awareness may include:

- Advocacy for Policy Reform: Advocacy efforts are often directed towards influencing policymakers to create an enabling environment for market systems development. This involves advocating for policies and regulations that promote fair competition, protect the rights of individuals, encourage innovation, and support entrepreneurship. Advocacy can also focus on removing barriers, such as excessive bureaucracy or corruption, that hinder market functioning.
- Stakeholder Engagement: Advocacy facilitates engagement with key stakeholders, including governments, businesses, civil society organisations, and communities. By promoting dialogue and collaboration among these stakeholders, advocacy helps identify common goals and develop shared strategies for market development. It creates platforms for communication, negotiation, and cooperation, fostering partnerships and alliances to address market challenges effectively.
- Awareness and Knowledge Sharing: Raising awareness about market systems development is essential to build understanding and buy-in from various actors. Advocacy efforts involve disseminating information, conducting awareness campaigns, and providing training on market concepts, principles, and best practices. This helps stakeholders grasp the potential benefits of market-based approaches and equips them with the necessary knowledge and skills to participate effectively.

6.6 JOA Inputs

7. Direct grants and co-financing for sustainable and scalable financial inclusion initiatives

JOA will provide grants to fund multi-year financial inclusion initiatives. JOA will fund approved organisation on JOA's closed list of partner development agencies. Approved development agencies must be registered in an OECD country, have received funds from an OECD / DAC donor or other major international donor within the previous two years, have an annual expenditure over £1.5million, and have demonstrable experience in financial inclusion programming.

JOA welcomes co-financing where there is an opportunity to amplify the effectiveness of our aid through leveraging additional financial resources. We recognise that by pooling funds with others, we may be able to support larger-scale projects or reach a broader range of beneficiaries.

8. **Facilitating productive knowledge exchange opportunities across our financial inclusion portfolio**

JOA will leverage our position as a donor to convene partners, identify synergies and facilitate introductions that will act to strengthen outcomes and create efficiencies in our funded projects. We acknowledge that there are multiple spaces for collaboration in the financial inclusion ecosystem, including online and offline forums, or knowledge hubs for sharing research and insights. We don't seek to replace these sources, but rather to provide more opportunities for knowledge exchange that are both relevant and timely. Partners have expressed a desire for more close working relationships with fellow JOA grantees, and JOA's position as an intermediary and a collator of knowledge and information across our financial inclusion portfolio puts us in a unique position to facilitate productive connections.

9. **Contributing to the growth of the financial inclusion impact investment market in Jersey**

JOA seeks to engage Jersey's finance sector in the structuring and development of impact-investment opportunities. We seek to build our reputation as a trusted partner to Jersey's financial sector, where we can leverage our experience, connections, and market insights to facilitate collaboration among various stakeholders in the impact investment and sustainable finance ecosystem. This may include exchanging knowledge with investors, social enterprises, philanthropic organisations, and policymakers at conferences, forums, and networking events. Such platforms allow for knowledge sharing, networking opportunities, and the exchange of best practices, fostering a supportive community around impact investment in sustainable inclusive finance.

JOA's stringent due diligence process as well as our experience in impact measurement and sustainable development can help build confidence in impact investment opportunities that promote financial inclusion.

10. Funded partners

JOA seeks partners who take a client-centric approach, prioritising individuals who are the most marginalised and excluded, are most vulnerable to financial and climate-related shocks and who are not traditionally supported by the financial services sector. We value partners who are able to demonstrate a deep understanding of the needs of the individual, the market systems that surround them and the ultimate benefit to them of being financially included.

JOA seeks to partner with organisations that are:

- At the forefront of financial inclusion, pushing boundaries, innovating, and disrupting markets.
- Well-connected either at a national or global level, to key market actors including government ministries, regulators, policymakers, FSPs, support service providers and relevant civil society organisations.
- Highly respected in the global financial inclusion community due to their track record and well-defined processes.
- Skilled and experienced in delivering impactful financial inclusion projects.
- Closely linked in with the communities that they are supporting.
- Deeply knowledgeable of the market systems in which their target communities operate and the market systems approach.

Examples of types of market facilitators in this category include Think-and-Do Tanks, Technical Specialist organisations, NGOs and development agencies, but may also include other for-profit consulting firms, providing they are aligned to JOA's strategic objectives and principles.

11. Monitoring, Evaluation and Learning (MEL)

JOA's Theory of Change summarises our strategic approach to promoting financial inclusion in our six target countries. Through our recently developed set of shared standard indicators, JOA will seek to consolidate data from across our portfolio of financial inclusion projects to measure the impact of our funding at both the individual consumer level as well as the market systems level.

Key aspects of MEL frameworks and approaches that we are looking to see in project proposals include:

Demonstrating additionality

Considering the increasing availability of DFS in JOA's target countries, we recognise the importance of distinguishing between naturally occurring trends and the impact of project interventions. We therefore seek to be assured of the "additionality" of proposed projects. In other words, we want to know how the funded activities go beyond the existing trends and contribute additional value to the financial inclusion ecosystem. This will help us ensure that our interventions lead to meaningful and positive changes beyond what would occur organically.

Developing MEL capacity

JOA encourages project teams to conduct monitoring and evaluation activities either in-house or in partnership with expert consultancies (as opposed to contracting consultancies to undertake monitoring alone). This is to (a) build the capacity of project-teams, and (b) ensure learning stays with project teams to improve future programming.

Mixed methods approach

We welcome proposals which triangulate evaluation approaches, or which use mixed research methods in complementary ways. Both quantitative and qualitative methods should be designed such that both positive and negative/unintended consequences of project interventions may come to light.

Evaluating long-term impact

As a donor, we are responding to the need for impact evaluation to reflect the longer timeframes within which multi-dimensional poverty reduction outcomes can realistically be achieved, by making funds available for impact evaluation for up to 24 months after project implementation ends. Projects seeking funding for impact evaluation activities post-project should explain what they expect to learn from the extended evaluation period, that would not be possible within the project-implementation period.

Selecting indicators

JOA prioritise indicators that demonstrate tangible impact and outcomes, going beyond mere financial access. We seek indicators that highlight the utility of financial services, showing how they contribute to real economic improvements, increased resilience, and improved financial health of individuals.

To ensure relevance, we encourage proposals to adapt indicators and their associated targets based on the specific sector or demographic group they target. For example, considering agricultural cycles, indicators may differ between the annual access of agricultural loan products and the frequent usage of savings products.

We value indicators that reflect transformative changes in market systems, promoting sustainable and scalable impacts, and ideally social norms change. Incorporating measures of financial health is encouraged, for example the ability to balance income and expenses, the use of credit rating as an indicator and the ability to recover from financial setbacks. Similarly, we welcome measures of positive environmental impact and climate change resilience with a brief explanation of their contextual appropriateness.

Data Disaggregation

In order to identify and address gaps in financial inclusion, it is important to collect and analyse data that is disaggregated by different dimensions such as sex, age, income level, sector, and geographic location. Disaggregated data helps understand the specific needs and challenges faced by different groups and supports evidence-based decision-making and targeted interventions.

Social Impact Assessment

Before implementing financial inclusion initiatives, it is essential to conduct a thorough assessment of potential social, economic, and environmental impacts. This assessment helps identify and mitigate any potential harm or unintended consequences that may arise from the program (e.g., household dynamics and social/gender norms). Monitoring and evaluation mechanisms should be in place to track the impacts continuously and address any emerging issues.

12. Project requirements and eligibility criteria

Partnerships

Projects must be submitted by an approved agency, who will be the overall responsible organisation for the administration of the grant, receive funds from JOA and be the main point of contact for JOA. This organisation must have completed JOA's partner pre-approval process before submitting the project proposal for consideration.

Intellectual partnerships, which seek to catalyse innovation and accelerate change will be considered, for example where a proposed partner can provide technical expertise for a key/novel component of the project but does not operate in the country of implementation.

Proposals should include at least one local/national organisation. This partner must be locally registered in the country of implementation. This can include in-country offices of international organisations.

Proposals should not be focussed solely on the demand side outcomes and should seek to address at least one of each of the supply/regulatory outcomes in JOA's Theory of Change.

Government departments/ministries may be project partners but cannot receive project funding even through sub-grants (with the exception of indirect costs, e.g., training, equipment, per diems).

Project duration

Projects should be a minimum of 36 months and a maximum of 48 months long, although this may be subject to change.

Eligible countries

JOA concentrates its International Development funding in six countries, namely:

Ethiopia, Malawi, Rwanda, Sierra Leone, Zambia, Nepal