



## **Good Return Submission to DFAT Development Policy Review - November 2022**

Good Return thanks DFAT for the opportunity to provide a submission to its review of the international development policy. We would be happy to elaborate on any aspects of this submission.

### **I. ABOUT GOOD RETURN**

Good Return is the business/trading name of World Education Australia, an international development agency fully accredited by DFAT. It holds an Australian Financial Services Licence 504804. Since 2003, Good Return has partnered with financial service providers across the Asia Pacific region (Australia, Cambodia, Fiji, Indonesia, Lao PDR, Nepal, Philippines, PNG, Solomon Islands, Sri Lanka, Timor Leste, Tonga) to improve access of low-income people, especially women, to responsible financial services and economic opportunities.

### **II. GOOD RETURN'S EXPERIENCE IN FINANCIAL CAPABILITY AND FINANCIAL INCLUSION**

Highlights of Good Return's experience and approach across Asia and the Pacific include:

- Raising investment capital from the Australian public to finance more than 12,000 microenterprises, of which 98% are led by women, yielding a 99% repayment rate.
- Establishing a Guarantee Fund to catalyse finance for agricultural SMEs in poor communities, using a modest \$200k first-loss grant from DFAT to crowd in investment capital from sophisticated investors and achieve the initial \$1 million fund target.
- Providing technical assistance to regulators / central banks in Cambodia, Lao PDR, Solomon Islands, Nauru and Fiji to raise public awareness of financial services and build a more responsible and inclusive local financial sector.
- Partnering with more than 30 local financial service providers and NGOs to train more than 6,000 of their staff and provide financial capability and small business management training to more than 55,000 households / small business owners.

### **III. RECOMMENDATIONS FOR THE REVIEW TEAM**

Good Return has identified seven issues we propose to be addressed by DFAT's new development policy. For each of these issues, we have detailed proposed focus areas, recommendation(s), and examples from successful programs at Good Return to highlight their importance in the new development policy.

#### **1. Support partner government financial inclusion strategies**

Financial inclusion provides a foundation for economic participation of marginalised and excluded

people, creating more robust economies and enabling poverty reduction<sup>1</sup>. Recognising this, countries across the Asia Pacific region have developed or are developing national financial inclusion strategies (NFIS), often incorporating national financial literacy strategies. Examples of these include Cambodia's National Financial Inclusion Strategy 2019-2025<sup>2</sup>, the National Strategy on Indonesian Financial Literacy 2021-2025<sup>3</sup>, and the Fiji National Financial Inclusion Strategy 2022-2030<sup>4</sup>.

- a. **Proposed Focus Areas:** Emphasis on including digital financial literacy as a strategy for increasing financial inclusion as the world becomes more digitised. This is a priority in the NFIS for several countries in the Asia Pacific region as well as in global strategies<sup>5</sup>. Work with governments to ensure measures to address specific barriers to financial inclusion experienced by people with disabilities are included in national financial inclusion strategies.
- b. **Recommendation:** Provide technical assistance for local government regulators and CSOs to support the implementation of their national financial inclusion strategies, with a particular focus on digital financial literacy and financial inclusion of PWDs, using a locally led approach.
- c. **Program Example:** In partnership with Good Return, the National Bank of Cambodia (Cambodia's Central Bank) launched 'Let's Talk Money', a financial consumer awareness campaign which supports the implementation of the NFIS to expand the use of formal financial services from 59% to 70% by 2025.<sup>6</sup> In 2016, the Let's Talk Money Campaign reached nearly 1.5 million Cambodians in the first three months and generated an estimated 26,800 household conversations about important financial topics such as choosing suitable products, negotiating and speaking to your service provider. In 2022, the Let's Talk Money: Little by Little Campaign reached and engaged almost 3 million Cambodians using drama videos on social media, radio talkback programs and face-to-face training with garment workers and women entrepreneurs.

## 2. Elevate disability rights and inclusion as a pillar in the new international development policy and as a cross-cutting issue relevant to every other pillar of the new policy

We support and reiterate ADDC's submission to this review, which states that disability rights and inclusion should become a pillar in the new international development policy as a cross-cutting issue relevant to every other pillar of the new policy and recommends that it "reflects the twin track approach by nominating disability rights and inclusion as a pillar in its own right as well as a cross-cutting issue relevant to every other pillar of the new international development policy".

- a. **Proposed Focus Areas:** Access to financial services and financial education for entrepreneurship and independent financial wellbeing for people with disabilities (PWD).
- b. **Recommendation:** Policies and country strategies should include specific actions to promote the financial and economic inclusion of PWD, including training and technical support in disability inclusion for department staff and partners, and ensuring representatives of PWDs are included in any consultative/advisory bodies.
- c. **Program Example:** In partnership with Chamroeun Microfinance, and funded by DFAT through Australia-Cambodia Cooperation for Equitable Sustainable Services (ACCESS), Good Return

<sup>1</sup> World Bank (2022), "Financial Inclusion: Overview", <https://www.worldbank.org/en/topic/financialinclusion/overview>

<sup>2</sup> Royal Kingdom of Cambodia (2019), *National Financial Inclusion Strategy 2019-2025*, [https://www.nbc.org.kh/download\\_files/publication/blueprints\\_eng/Final\\_NFIS\\_in\\_English.pdf](https://www.nbc.org.kh/download_files/publication/blueprints_eng/Final_NFIS_in_English.pdf)

<sup>3</sup> Otoritas Jasa Keuangan (2021), *National Strategy on Indonesian Financial Literacy 2021-2025*, <https://tinyurl.com/OJK-NSIFL>

<sup>4</sup> Reserve Bank of Fiji (2022), *Fiji National Financial Inclusion Strategy 2022-2030*, <https://www.afj-global.org/wp-content/uploads/2022/05/FIJI-NATIONAL-FINANCIAL-INCLUSION-STRATEGY-2022-2030.pdf>

<sup>5</sup> See the UNCDF's report "UNCDF Global Strategy: Leaving No One Behind in the Digital Era" (2018) for the importance of digital economies in development, <https://www.uncdf.org/article/4931/global-strategy-leaving-no-one-behind-in-the-digital-era>

<sup>6</sup> The National Bank of Cambodia (2022), "កែវ: ឆ្លើយតបជាមួយអ្នក – Let's Talk Money!", [https://talkmoney.nbc.gov.kh/en\\_US/](https://talkmoney.nbc.gov.kh/en_US/)

adapted our Consumer Awareness and Financial Empowerment (CAFE) program for PWD through deep consultation<sup>7</sup>. After receiving extra training in disability inclusion to ensure they have the skills to support learners of all abilities, our coaches help participants to choose appropriate financial services, manage their money, and apply these skills to secure and grow their assets for the future. Coaching participants could also apply for a tailored loan for PWD from Chamroeun to finance business activities. CAFE ACCESS has so far reached 470 participants with disabilities, of whom 415 have completed the course.

### 3. Using a coordinated approach to gender lens investing in the Asia Pacific region

Women and men both have entrepreneurial qualities and the ability to use finance, however women are still disproportionately excluded from financial services<sup>8</sup>. Gender lens investing (GLI) is an approach to investing that “takes into consideration gender-based factors across the investment process to advance gender equality and better inform investment decisions”, helping to increase women’s financial inclusion as entrepreneurs, promote workplace equality, and invest in enterprise which improves the lives and livelihoods of women and girls<sup>9</sup>. Additionally, it is crucial to ensure that development efforts in the region use a coordinated approach to ensure efforts complement rather than duplicate and that learnings are shared across development actors. This is particularly important in the Pacific, where NGOs are often competing for the same ‘target markets’ which makes project implementation difficult given small population sizes.

- a. **Proposed Focus Areas:** Engage with the private sector in partner countries, particularly financial institutions and institutional investors, through development agencies providing technical expertise to help drive gender lens investing.
- b. **Recommendations:**
  - i. Expand funding to GLI programs and initiatives like DFAT’s WISER program to Cambodia, Lao, and the Pacific as they are currently underserved in GLI initiatives. Train practitioners and local partners to use and analyse data from gender-sensitive tools, like gender self-assessments (GSA) and organisational gender action planning.
  - ii. Create a coordinated approach to deploying funds in the Pacific, with a convening NGO bringing together using a network of DFAT-funded grantees that are collaborating, learning from each other, and advocating together for GLI and not duplicating efforts.
  - iii. Ensure specific measures are taken to include women entrepreneurs with disabilities within programs to support gender lens investing.
- c. **Program Example:** Good Return is partnering with Indonesian fintech CROWDE to implement gender lens investing. Within this partnership, we used GSA to help CROWDE examine its current organisational gender capacity and practices, aiming to create equal rights, responsibilities and opportunities for everyone in the organisation and in service delivery<sup>10</sup>. The results of this survey and subsequent focus group discussions allowed CROWDE to implement a Gender Action Plan, including development of a Safeguarding Policy covering Prevention of Sexual Abuse, Exploitation & Harassment (PSEAH) and child protection. Good Return trained CROWDE’s staff as master trainers to deliver a Gender & PSEAH training module to all staff and trained their Internal Audit & HR teams to conduct PSEAH investigations.

<sup>7</sup> Good Return (2021), *Annual Report 2021*, p.11, <https://tinyurl.com/GRannualreport2021>

<sup>8</sup> UNESCAP (2022), *Inequality of Opportunity in Asia and the Pacific Financial Inclusion 2022 Update*, [https://www.unescap.org/sites/default/d8files/knowledge-products/2022\\_Financial-Inclusion-report.pdf](https://www.unescap.org/sites/default/d8files/knowledge-products/2022_Financial-Inclusion-report.pdf)

<sup>9</sup> Global Impact Investment Network (2022), “Gender Lens Investing Initiative”, <https://thegiin.org/gender-lens-investing-initiative/>

<sup>10</sup> Good Return (2021), p.20

#### 4. Strengthen the role of impact investment intermediaries to ensure regional and global impact investments reach and strengthen MSMEs

NGOs have a unique position to be able to monitor the social impact of development initiatives. As they operate on the ground and are immersed in the local context, there is an opportunity for impact investment intermediaries like Good Return to share knowledge and experience with other organisations to advance the reach and impact of investments.

- a. **Proposed Focus Areas:** Engage NGOs as social impact technical assistance providers to conduct pre-investment assessments and verify social impact (particularly gender and disability inclusion) of any investments.
- b. **Recommendations:**
  - i. Fund an extension of DFAT’s Frontier Brokers network and projects to facilitate knowledge sharing, collaboration and growth of the intermediary market in Asia-Pacific in order to better match capital with funding needs across the region.
  - ii. Fund NGOs active in financial education and small business development in Asia and the Pacific to build a pipeline of investible, financially capable small businesses.
  - iii. Invest in high-impact agri SMEs: Support in-country financial intermediaries to invest in agricultural SMEs to maximise poverty impact. This can be achieved by scaling up Good Return’s Guarantee Fund or similar approaches.
- c. **Program Example:** The DFAT and Good Return initiative Frontier Brokers is a network of seven impact investment firms, adopting a gender lens in their projects, looking to measurably address gender inequality – in capital markets, their own investment processes and in local contexts where social enterprises operate. Frontier Brokers also uses a gender lens investing approach as discussed in point 3 above. With Good Return as Network Convenor, Frontier Brokers supported cross-learning, innovation and shared advocacy for GII in Asia-Pacific, especially through collaborative projects such as podcasts, videos and joint workshops highlighting how gender equality can be achieved through investment. DFAT’s independent evaluation of the network found that 100% of surveyed network members had a high level of pride in Network accomplishments<sup>11</sup>.

#### 5. Strategic and catalytic funding models

DFAT has an opportunity to unlock private capital through new investment models like blended finance. A blended finance approach “attracts commercial capital towards projects that contribute to sustainable development, while providing financial returns to investors”<sup>12</sup>. By providing incentives for impact investment such as grants and first-loss risk capital, DFAT can enable impact investment funds to establish operations in developing countries and crowd in private sector investment, extending the work of Emerging Markets Impact Investment Fund.

- a. **Proposed Focus Areas:** Work with relevant government agencies to establish a formal framework and incentives for Private Ancillary Funds, foundations and trusts to invest their corpus in development outcomes.
- b. **Recommendations:**
  - i. Unlock philanthropic funding by establishing an Outcome Fund (funded via grants) for the government to invest alongside charitable foundations to pay for successful

<sup>11</sup> Frontier Brokers (2020), “Provision of flexible funding to a network convenor to support a network of DFAT-funded brokers of impact investment to promote knowledge exchange and peer learning, and foster innovation”, <https://scalingfrontierinnovation.org/theme-3-flexible-funding/>

<sup>12</sup> OECD (2022), “Blended Finance Principles,” <https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/>

development outcomes. This would follow a payment by outcomes model - typically linked to a Development Impact Bond or similar.

- ii. Unlock investment capital by establishing a blended finance mechanism for foundations and investment funds to invest alongside the government in development initiatives. The government would take a junior position to crowd in private capital. This would involve the application of grants and debt, and could extend to equity and guarantees.
- c. **Program Example:** Good Return's impact investment fund uses a blended finance approach to providing access to finance for SMEs in the Asia Pacific region. Using an initial \$200,000 grant from DFAT as a base, this allows us to help mitigate risk for investors and encourage them to invest. As a result, we have provided 288 SMEs in Cambodia and Indonesia with access to finance, supporting over 2,000 jobs.<sup>13</sup>

## 6. Leverage ANCP and existing Australian NGO relationships in the region

NGOs have proven to be effective in delivering development outcomes, bringing not only technical expertise but also well established local networks and deep knowledge of the local context. Given this expertise, and the funding possibilities through ANCP's vetting process for accredited NGOs, there exists an opportunity to continue to develop new, effective programs in the Asia Pacific region.

- a. **Proposed Focus Areas:** Utilise trust in the strict compliance measures followed by accredited NGOs to deliver innovative and effective programs with local partners.
- b. **Recommendations:** Use ANCP as a vetting process to open new thematic funding windows for accredited NGOs in priority areas. This can be differentiated between base accreditation, full accreditation, or both.
- c. **Program Example:** Two of Good Return's most successful programs, Responsible Inclusive Finance (RIF) Academy and CAFE (specifically in Cambodia and Nepal), have benefitted from ANCP funding. For example, our RIF Academy e-learning platform aims to strengthen the capacity of the finance sector to meet the needs of the most vulnerable communities, covering topics from client protection to monitoring and evaluation. With the support of ANCP funding, we have been able to create 239 eCourses and have a course completion rate of 90% among our 7883 financial service provider registered users<sup>14</sup>.

## 7. Reinstatement of an independent evaluation function and increase transparency

We support and reiterate ACFID's recommendation to reinstate an independent evaluation function in the new development policy. The previous government closed DFAT's Office of Development Effectiveness, which resulted in a lack of an independent evaluation process for strengthening the quality of Australian aid. Similarly, the level of published information on aid investments has been significantly curtailed. To ensure evaluation reports do not "appear to be tied to personal gain, profits or corporate interests," ensuring there is an independent evaluation function can establish validity of the findings "which may significantly improve the ability to achieve desired results"<sup>15</sup>.

- a. **Proposed Focus Areas:** Ensuring evaluations of DFAT's initiatives is independent and thorough.
- b. **Recommendation:** Reinstatement of an independent evaluation function and restore previous levels of transparency on investments.

<sup>13</sup> Good Return (2021), p. 14

<sup>14</sup> Good Return (2021), p. 12

<sup>15</sup> National Evaluation Capacities Information Centre (2013), *Solutions related to challenges of independence, credibility and use of evaluation*, p. 57, [https://nec.undp.org/sites/default/files/2021-04/NEC-proceedings-2013\\_1.pdf](https://nec.undp.org/sites/default/files/2021-04/NEC-proceedings-2013_1.pdf)