Systemic Change

From Rhetoric to Reality: applying the AAER Framework to an FSD Kenya intervention
Common terms but uncommon meanings?

- Sustainability
- Scale
- Facilitation
- Impact

Define → Prioritise → Actions → Results

M4P – Operational Guide

Systemic Change: Sustainable Impact at Scale... *in practice means what...?*
M-Shwari

1. Partnership between CBA and Safaricom

2. Banking product integrated on M-Pesa platform

3. Offers interest bearing savings accounts (protected)

4. Offers short term (30 days) loans on fixed fee basis

5. Launched in 2013...when only 700,000 Kenyans had formal bank access
Growth in M-Shwari Savings Accounts (in millions)

<table>
<thead>
<tr>
<th>Time</th>
<th>Number of accounts (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2013</td>
<td>2.9</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>4</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>4.8</td>
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<td>Q4 2013</td>
<td>5</td>
</tr>
<tr>
<td>Q1 2014</td>
<td>7</td>
</tr>
<tr>
<td>Q2 2014</td>
<td>7.6</td>
</tr>
<tr>
<td>Q3 2014</td>
<td>8.1</td>
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<tr>
<td>Q4 2014</td>
<td>9.2</td>
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</tbody>
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M-Shwari...cont.
6. End of YR1: 19% clients under national poverty line
7. End of YR2: 30% clients under national poverty line
8. 57% of clients have credit access...2% default rate
9. New competitors have emerged
10. New products are targeted to M-Shwari users
11. M-Shwari expands beyond Kenya
12. Is this “systemic change”...????
**AAER: unpacking systemic change**

- **Adopt**: Initial partner(s) has ‘invested’ in the pro-poor change adopted independently of programme support.

- **Adapt**: Partner(s) takes up a pro-poor change that is viable and has concrete plans to continue it in the future.

- **Respond**: Non-competing players adjust their own practices in reaction to the presence of the pro-poor change (supporting functions and rules).

- **Expand**: Similar or competing players copy the pro-poor change or add diversity by offering variants of it.

**Piloting phase**

**Crowding-in phase**
**Investment**
CBA =  USD 14.5mn
FSDK =  USD 650k

**Return**
CBA:  B/E 11mths; [19% net profits]
FSDK:  19% poorest have access;  
1mn people in first week!

**Iterative Partnership Approach**
• Seconded FSDK staff / advisers
• CBA led teams
• Regular joint decision points
Improved scorecard:
• Transitioning from ‘anticipated’ scores based on telco data, to ‘observed’ scores of actual clients
• Significant reduction in default rate; continued client growth

Segmentation project:
• Behavioural economics applied to stimulate responses from various client groups (eg those who borrowed once, but not again)
• Response rates 95% higher than control group
CBA expands access:
• Targeted rejected 60% majority; 1mn more poor; credit assignment from 42-57% of clients; reduced default rate by 50%

KCB enters the market:
• KCB-M-Pesa launched 03/15
• 1.4mn users in first 6 mths
• Others primed...

CBA takes M-Shwari overseas:
• Tanzania launched
• Planned for Rwanda, Uganda and Cote D’Ivoire
‘Hello Doctor’:
- MMI Holdings South Africa
- Medical subscription service (phone diagnostics, SMS prescriptions, in-patient cash)
- Targeting smaller towns
- Target: 200k clients in YR1

‘Lock’ Savings:
- Promoting longer term savings
- Interest premiums
- >100k clients in first 6 mths
Systemic Change...?

“Systemic Change: Sustainable Impact at Scale”

Sustainable: ADOPT & ADAPT

Scale: EXPAND & RESPOND

Impact: Access
>10mn clients; 30% below pov line (increasing); but 53% rejection rate still.

Impact: Benefits
• M-Pesa: empirical evidence on consumption impact
• M-Shwari: anecdotal, but following M-Pesa trajectory
FSD Kenya – would you believe it...

A card carrying M4P programme: it ‘lives’ systemic!

And yet....

• It doesn’t use results chains...
• It is not DCED compliant...
• It doesn’t use AAER...
• Its measurement stops at “access”...

But it is thinking more about such things...seriously

• FSD Academy: tailored M4P good practice training
• Processes not just people matter
• AAER: FSD-Network Cases and synthesised learning
THANK YOU

Want to know more?

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