Savings at the Frontier

Adaptive fund management in practice: a partnership approach

Learning from the Savings at the Frontier programme

Constantin Albot, Hanna Laufer, Janet Hayes, and Robert Stone
December 2020

mastercard foundation

Oxford Policy Management

This note summarises practices and lessons learned from the Savings at the Frontier (SatF) programme on providing funding and technical assistance to financial service providers (FSPs). SatF is a $17.6 million partnership between Mastercard Foundation and Oxford Policy Management (OPM). The note outlines how the concept of partnership underpins our approach to adaptive management and the central tool to its implementation: the two-way promise card. We hope that this note will be useful for donors, programme designers, and those working with financial sector stakeholders to find innovative ways of serving the previously underserved. It also offers practical examples of adaptation for fund management and monitoring, evaluation, accountability, and learning specialists.

Introduction

SatF provides funding and technical assistance to help selected FSPs to develop relationships with informal savings mechanisms (ISMs), such as savings groups and their users, in order to complement their existing practices with formal financial and non-financial services. SatF is an experimental, private sector provider-led programme that does not prescribe one single route to market but seeks to find commercially viable paths. Central to our approach is the principle of a 'triple-win' business case: the value offer that FSPs develop has to (i) be commercially sustainable, (ii) work for individual users of ISMs, and (iii) preserve/enhance the social capital and benefits that ISMs bring to their members and communities. As a programme, our remit is to find out if this is possible and if so, how it can be done.

Partnership underpins everything we do. SatF is a partnership between Mastercard Foundation and OPM. We work in partnership with nine FSPs in Ghana, Tanzania, and Zambia who in turn aim to form partnerships with ISMs, and each other, to share learning. We are also interested in the various ways in which ISM users partner to pool their savings, and work to achieve a range of individual and collective economic and social objectives.

But what does working in partnership mean in practice? For SatF, this means recognising that everyone has something to contribute: everyone has something to learn. The emphasis is on shared learning and discovery rather than top-down communication of expertise and it is about finding solutions to challenges that arise in the various experiments we are undertaking, together.

This spirit of partnership is the foundation to our approach to adaptive management.[1] Pasanen and Barnett (2019)[2] suggest that adaptive programmes are often characterised by innovation, uncertain pathways for change, or uncertain or unstable environments, which describes our programme quite accurately. In recent years, there has been a lot of thinking about adaptive management but many practitioners, including those operating in the financial sector, are still learning what it means in practice to manage complex programmes with varied stakeholders. As set out in a recent CDC research summary,[3] being flexible and adaptive is key to ensuring effective delivery of funding and technical assistance to FSPs.

The challenge of linking informal and formal financial mechanisms

SatF is unique in that it promotes innovative experimental approaches to linkage: we do not yet fully understand the pathways and drivers of success. In addition, SatF works with a diverse range of partners. Our FSP partners (see Figure 1) are different types of organisations with distinct market positions, objectives, and challenges in offering value to ISMs and their users. They leverage technical assistance and funding to innovate and experiment, reduce risk, or refine and scale existing offers. In addition, our partners work in different contexts, but are ubiquitously

---

[1] Central to the term 'adaptive management' is the principle that more intelligent and dynamic use of evidence, information, and data, integrated into innovative adaptive methods and approaches, can help to inform and underpin new kinds of development policies and programmes. See, for example, Wild, L. and Ramalingam, B. (2018) *Building a Global Learning Alliance on Adaptive Management*, London: Overseas Development Institute.

[2] Pasanen, T. and Barnett, I. (2019) Supporting Adaptive Management – Monitoring and Evaluation Tools and Approaches, ODI Working Paper 569, London: Overseas Development Institute.

[3] Davies, G. (2020) 'Making the Most Effective Use of Grants and Technical Assistance to Support Financial Institutions', *Insight*, 15 June, London: CDC Group.

challenged by markets that are characterised by rapid changes in technology, the regulatory landscape, and political economy.

Figure 1: SatF partner location and typology

Paired with the experimental nature of SatF, this means that we have to structure technical assistance and funding to our FSP partners in a tailored manner. But evidence-based practical examples of how to design funding agreements in adaptive programmes are limited. Wild and Ramalingam (2018) propose 'multi-year funding with flexibility within broad budget categories, master purchase agreements with pre-approved vendors, reserve funds for learning and adaptation, phased-in implementation, flexible and shock response capacity and the use of "sprints" or regular reflection cycles' as examples of existing fund mechanisms used in adaptively managed programmes. Some of these elements have intuitively been written into our funding agreements, which were designed as fit-for-purpose tools, drawing on lessons from previous linkage programmes.

Building trust with FSPs

Wild and Ramalingam (*ibid.*) claim that 'trusting relationships' are a requirement for adaptively managed programmes. Within SatF, we witness the importance of trust at different organisational levels, and it is something we have continuously built through our interactions with partners. This includes actively recognising the complexity of the challenge, respecting the decision power and influencing realm of project team members, focusing on how best to support the finding of solutions to barriers (not just pointing them out), valuing the project team's ideas; and regular communication. From the outset of our interactions with our partner FSPs, SatF team members have worked in partnership with them, building collaborative working relationships with high levels of mutual trust. We engage with project teams frequently in order to receive updates on progress, reflect on achievements and issues arising, provide ideas or inputs, and co-create new plans.

Two-way promise cards

When we started to design our fund disbursement mechanisms, we wanted the tool to embody this spirit of partnership and to signal trust, enable adaptation, and allow for experimentation. In order to achieve this, but also to retain some control over project delivery and outputs, the tool needed to structure a phased approach to ensure the timely and relevant disbursement of funds. The tool we developed is called a 'two-way promise card'.

Two-way promise cards are an adaptation from an earlier programme that also disbursed funds to FSPs, which was implemented by the World Savings Bank Institute (WSBI) and funded by the Bill and Melinda Gates Foundation. Promise cards were introduced part way through that programme, as concerns emerged about its progress, in order to crystalise exactly what was expected of each FSP. However, in some cases this caused a push back from the FSPs as they felt that the goalposts were being shifted mid-project. Therefore, for SatF, we deliberately co-created the promise card in close collaboration with the FSP – before project implementation started – drawing on what had been learned from the business plan development phase (see below).

Draft promise cards were developed in collaboration with the FSP project teams, drawing upon the business plans. These promise cards defined each project's overall objectives, as well as the anticipated stages and activities to deliver them. This was followed by approval of the project by the SatF governance committee, as well as the senior-level management of our FSP partners, and then integrated into the Funding Agreements. In some cases, the governance committee based its approval on changes made to the promise card; for example, a proposed $1 million project be split into two $500,000 projects, with the successful delivery of the first half determining whether the FSP would be given the second half of the funding.

As suggested by its title, the two-way promise card is a two-way commitment. In the spirit of partnership, we do not want to simply make demands of the FSPs but wish them to know what we will give in return for each 'promise' kept. If both sides keep their promises, this helps to build trust as the project progresses. It is important that FSP project teams own the promise card and know that we will support them in delivering project objectives – on the FSP's side – within their realm of decision making and the existing structures of the organisation. The fund disbursements in each tranche – on the SatF programme's side – are marked by a set of triggers, which are also jointly agreed with the FSP partners. In addition, to encourage full ownership of the project by the FSPs, we included the requirement for a minimum 25 per cent proportionate contribution in their two-way agreements.

The final promise in the promise cards captures how partner FSPs work with SatF to extract lessons coming from the project and records that all the data generated through this funded project belongs to the partner FSP. Partner FSPs are required to dedicate a certain amount of project budget to 'research and learning' activities that remove implementation barriers and provide actionable insights. At the same time, SatF offers additional insights with independent research activities; for example, our longitudinal impact assessment conducted at ISM and ISM user levels.

In line with adaptive management practice, and in order for the promise cards to incentivise project delivery, it was important to make room for flexibility, reflection, and iteration in the project life cycle. We therefore agreed with our partners that we would have a high-level plan for the project overall (the overarching promise), and much more detailed plans for each individual tranche. This allows us to track progress within the tranche, but also take into account at each stage how the project is progressing against its overall objectives and whether any adaptations are needed. As such, the promise card's triggers and tranches structure the conversation and process leading to adaptation, while keeping the overall objectives in mind.

The promise cards that govern the projects' implementation are forward-looking contracts split into four phases that consist of an agreed set of activities or outputs. The aforementioned overarching promise for the entire project specifies that, in response to receiving SatF funding, the FSP is committed to delivering a certain number of accounts opened and actively used by ISM users. This overarching promise is split into four separate promises linked to disbursement tranches, as outlined in Box 1.

Box 1 The structure of the promise card

Activity/ output stages	
Tranche 1 is designed to help set up the project – for example, by investing in the necessary systems work, ensuring adequate staffing, putting together a distribution strategy, and piloting the product. During these stages, SatF supports the FSPs as required – for example, with research or data analytics and modelling the emerging business case. Fund disbursement triggers in Tranche 1 might be, for example, completed User Acceptability Tests (UAT), research activities, or a product pilot/launch.	**Tranche 2** builds on the progress achieved in Tranche 1. If Tranche 1 was a success and the FSP managed to adequately set up the project and pilot/launch its product, then it supports scale-up. If the FSP encountered difficulties during Tranche 1 and did not make it to that stage, Tranche 2 creates space for course corrections in product design and delivery. In practice, at least part of Tranche 2 was used for course corrections by most FSPs; for example, on system tweaks or integrations that had not been fully sorted in Tranche 1 or on additional agent equipment and training.
If Tranche 2 has not led to a scalable solution, the FSP cannot reach the outcome stages of the project (see below). In such a case, SatF will work with the partner to agree on a reduced scope of work that makes the fund commitment relevant for the FSP's future strategy, and the learning extracted for SatF, even if it did not fully meet the original expectations within the SatF programme. For example, SatF might then work with the FSP to finalise the product or service but leave it with the FSP to take to market when it is in a position to do so. Progress under Tranches 1 and 2 helps us determine the 'break point' in each project to avoid investing further in underperforming projects.	
Outcome stages	
Tranche 3 pays out on the number of accounts opened by ISM users and, importantly, the number that remain in active use after a specific time period. It does so on a pro-rated basis (e.g. \$5 per account opened plus another \$5 for every account that stays active three months after being opened).	**Tranche 4** is disbursed upon reaching a set number of active accounts under Tranche 3, which signals that the FSP is on course to achieve its business case. There is therefore another break point between Tranches 3 and 4. Generally, Tranches 3 and 4 contain around 40 per cent of the total main project funding.
Setting the outcomes for Tranches 3 and 4 at an appropriate level is difficult. On the one hand, the FSP must feel the outcome targets are achievable but on the other, they should not be too low. In one case, where the criteria for Tranches 3 and 4 were relatively soft due to the innovative nature of the project, it created a degree of complacency and meant that momentum was lost in the early stages of the project. It was only when the partner realised that achieving Tranche 3 and 4 funding was at risk that activities picked up and progress became visible.	

As projects progressed, we realised that some of the targets contained in the promise cards were actually stalling, rather than helping, projects to move forward. Achieving a given target was simply not possible for reasons outside the FSP project team's control and we were concerned that the stalled project would be deprioritised by FSP senior management. We therefore reviewed our approach to allow for more flexibility: we now look for 'behavioural triggers' demonstrating that the

FSP project team is doing everything within their capacity to remove the bottleneck and find alternative ways to implement the project. If both the partner FSP and SatF consider there is a reasonable possibility that those efforts will succeed in overcoming the constraint, we consider relaxing the disbursement conditions to ensure funding can continue uninterrupted while the issue is being resolved. For example, one of our partners in Tanzania was required to get government sign-off for the project, which meant signing memoranda of understanding (MoUs) with all consortium members and obtaining regulatory clearance from all the relevant state institutions. This was a complicated and lengthy process, but we could see that the partner FSP was doing everything in its powers to get it done and move ahead with implementation. We therefore increased the size of Tranche 1 by $50,000, which enabled them to kick-start the activities allocated to Tranche 2, while still collecting the final signatures in order to make up for lost time.

Other adaptations we have made

Although we see the two-way promise card as SatF's key framework for adaptation, we have made two further adaptations to the more traditional ways of providing funding and technical assistance to FSPs.

1. **Phased approach to project implementation**

SatF was tasked at the outset with working with eight to ten FSPs. We worked with eleven FSPs in the business plan development phase (see below) and are working with nine on full projects. Rather than investing large sums of money in a few FSPs, we decided to allocate a proportion ($1 million) of the SatF total funding pot ($10.5 million) to a number of promising FSPs to test a range of different business models and value offers. These FSPs were shortlisted based on their concept notes, which were submitted in response to an open call issued to market players in each of the three countries. We called this the '**business plan development**' (BPD) phase and it allowed the FSPs, and SatF, to test their ideas. In this phase, each shortlisted FSP was offered up to $100,000 to use as they deemed appropriate to test their idea; for example, to carry out customer research into the product or service they were planning to develop, pilot elements of the offering, or purchase technical assistance to put together the business case/proposal for the project. This phase created room for FSPs to understand in detail what was needed to deliver the project and to adapt the concept accordingly. It also allowed SatF to understand in detail what each partner wanted to achieve and compare that with what SatF required the partner to achieve from a triple-win business case perspective. In addition, this phase was an opportunity to build trust and good working relationships between the SatF team and each partner.

Once the BPD phase had been completed, the SatF team submitted recommendations to the governance and investment committee as to whether each partner should proceed to the **main phase** of project implementation. Depending on the response of the GIC, FSPs were awarded between $500,000 and $1 million for this main phase and the two-way promise card (see above) was wrapped up to guide implementation.

The final phase for the most promising and high performing FSPs is the **super tranche** phase. Super tranches are a way of exploring the growing capabilities of high-performing FSPs to deepen their ISM linkage efforts and deploy a better and clearly sustainable customer value proposition. The value of each super tranche is between $250,000 and $600,000. In order to qualify for a super tranche, FSPs must be on a clear pathway towards the successful completion of project implementation and be able to demonstrate a combination of: a clear business case visibly emerging from project implementation; being on track to reach the level of outreach figures that would support the emerging business case, with a well-articulated value proposition for ISMs and their members; and showing a demonstrable contribution and willingness to engage with the SatF learning agenda.

In November 2020, the first SatF partner moved into the super tranche phase and we are hoping two others will follow shortly. Through their super tranche, DSS in Ghana is exploring two business opportunities and developing another innovative element of the project.[4] The super tranche phase will generate a range of lessons for other FSPs within the SatF portfolio, beyond the programme and for the wider international development community.

2. **Timely disbursement of funds**

To support smooth and consistent project implementation and ensure that our funding remains relevant, the funds are made available to FSPs in advance. This is to avoid making the implicit assumption that the partner has sufficient funds at hand to cover the project's expenditures (e.g. investing in technology or paying for project staff), which for smaller organisations, such as fintechs, tends to be a challenge. While large commercial banks are more likely to have sufficient capital to cover upfront costs, sign-off from senior management can delay project implementation; for example, if a funding agreement requires the partner to make a $100,000 payment to a technology vendor upfront, and these funds are not readily available or have not been budgeted *ex ante*, the project will be unable to proceed until the funding is signed off.

We decided to advance funds for planned activities or predefined outputs based on certain triggers, specified in the two-way promise card. The amount of funds advanced ranges between a quarter and a half of the total amount of any given tranche. This approach signals trust in and commitment to our partner FSPs' business ideas. At the same time, we require our FSP partners to reconcile expenditure against each advance. Our continuous engagement with FSPs together with our monitoring system ensures that we are able to keep track of how the funds are being used.

What we have learned

Promise cards can actually stall implementation. Despite our best intentions, the design using tranches and triggers has its pitfalls. Even activity-based triggers, such as obtaining external product approval from relevant authorities or getting systems to integrate effectively, can stall a project for several months. If further fund disbursements are linked to achieving such a trigger, the project team might not be able to continue working on the project. Aware of the difficult context, and concerned that the funding might lose relevance as FSP project teams pick up other business activities, the SatF team developed a framework of behavioural triggers for more flexible disbursement. In distinct cases where triggers cannot be reached, behaviours that display commitment, such as an active dialogue with the SatF team about the specific hurdle, participation in and contribution to workshops, and concrete short-term plans for the next quarter, can work as an exemption – provided the SatF team has confidence that the behaviours stand a good chance of overcoming the constraints.

Invest in data collection and quality assurance processes. In order to successfully implement the promise cards and properly manage the funding going out to FSPs, the SatF team needs accurate and consistent data to take project-level and portfolio decisions. FSP partners submit account uptake and use data on a quarterly basis. This provides an indication of whether the partner is on track and whether they will reach the outcome-based tranches. Data analytics inform discussions on emerging patterns and trends in quarterly meetings with the FSPs. While this is a start, ideally, we want to move from compliance-driven monitoring to real-time monitoring by building systems that allow us to store and manage data in more accessible spaces, and accommodate *ad hoc* requests and analysis using simple, existing tools. By doing so, we hope to increase the relevance of existing data for operational decision making – for example, around customer engagement or agent network management – and reduce the burden of reporting on project teams.

Ensure that data is used effectively as the basis for decision making in order to avoid optimism bias. There is a trade-off between the quality of relationships with project teams and

[4] The business opportunities are: (1) to strengthen and expand DSS efforts to digitise and support susu collection in peri-urban areas, and (2) to set up a mechanism to bring susu collectors to rural Village Savings and Loan Association (VSLA) groups and their members. Part of this new value offer will be to connect the susu savers in peri-urban or small town markets to rural smallholder communities in order to strengthen farm-to-town supply chains. DSS will also explore whether excess group savings can be digitised and exchanged between groups at different points in their cycles to shore up the groups' capacity to lend to their members and build up savings ahead of distribution.

bias in assessments of project progress and risks. Our fund management team is in regular communication with project teams and ensures that SatF is seen as a partner who (a) recognises the magnitude of the challenge; (b) acknowledges the FSP partner's efforts and constraints; and (c) helps find solutions where possible. As a result of the close relationships forged over several years, there is a risk of optimism bias which may affect the assessment of project progress and the perception of risk levels. We therefore involve other workstreams, and our governance committees, in interpreting patterns, challenging perceptions, and asking critical questions. Furthermore, where possible, we have developed processes that place data at the heart of our own decision making. We use account uptake as well as data, information from financial and narrative reports, and logged conversations with FSPs, to juxtapose our impressions and insights from working closely with FSP partners. This data benchmarked against the mapped activities of a tranche then form the basis of quarterly traffic light assessments across the portfolio, which are reported back to Mastercard Foundation and our governance committees, and strategic team conversations.

Peer learning and creating a community has proven a powerful tool. As an experimental programme, SatF is designed to learn from partners, project implementation, and active research. Partner FSPs are required to dedicate a certain amount of project budget to 'research and learning' activities. As we began to spot common challenges in implementation, we tested the extent to which our partner FSPs wanted to learn from one another and whether solutions in one context could be applied elsewhere. We soon arrived at a point where FSP partners asked for peer-learning space and created a series of technical learning workshops (first in-person, entirely virtual during Covid-19, and possibly a hybrid version of the two approaches going forward as restrictions ease but are not fully lifted). Our partners select topics that are directly relevant to them and the workshop methodology promotes group work and active peer exchanges in smaller teams. For example, we responded to the arrival of Covid-19 and mobility restrictions with a series of four virtual workshops for FSPs to share learning about customer communication and impact, agent management, and sustaining the business case. FSP partners now shape the learning agenda of the SatF programme and contribute to the dissemination of findings by participating in conferences and competitions as ambassadors.

Conclusions

It takes a great deal of time and effort to build strong partnerships: SatF's experience has shown that investment in doing so is crucial to the success of adaptive programming. In order to be adaptive, partners need to experiment with different ideas, share learning – and data – with each other, and discuss what that means for project implementation. This holds true for the programme management and team who spend more time on discussion and reflection and have to be comfortable with higher levels of risk and uncertainty while partners figure out their next steps. Within this relatively open and flexible learning environment, adaptation can and should be guided by an implementation framework that accommodates changes but structures the processes – in the case of SatF, the two-way promise card – as well as rigorous research and data analysis in order to be able to rely on evidence arising from the projects themselves.

About Savings at the Frontier

Savings at the Frontier (SatF) is a six-and-a-half-year programme (2015–22) that seeks to bridge the gap between the supply of formal financial services and informal savings mechanisms (ISMs) in Ghana, Tanzania, and Zambia, so that ISM users in these countries have a greater choice and use of financial services that best meet their needs. SatF is a $17.6 million partnership between Oxford Policy Management and the Mastercard Foundation. For more information – and to read the full SatF strategy – visit the OPM website.

Mastercard Foundation

Mastercard Foundation works with visionary organisations to provide greater access to education, skills training, and financial services for people living in poverty, primarily in Africa. As one of the largest private foundations in the world, its work is guided by its mission to advance learning and promote financial inclusion to create an inclusive and equitable world. Based in Toronto, Canada, its independence was established by Mastercard when the Foundation was created in 2006. For more information and to sign up for the Foundation's newsletter, please visit the Mastercard Foundation website. Follow the Foundation at @MastercardFdn on Twitter.

Oxford Policy Management

Oxford Policy Management is one of the world's leading international policy development and management consultancies. It enables strategic decision makers in the public and private sectors to identify and implement sustainable solutions for reducing economic and social disadvantage in low- and middle-income countries supported by offices in the UK, Bangladesh, India, Indonesia, Nepal, Pakistan, Nigeria, Tanzania, and South Africa. For further information, visit the OPM website or follow them at @OPMglobal on Twitter.

PHB Development

PHB is OPM's learning partner on SatF. PHB collaborates with international development agencies, banks, regulators, and other impact makers around the world to assess, implement, and scale digital interventions. It leverages the expertise of its team to support the design of digital finance ecosystems that can strengthen the resilience of communities in need. To learn more about PHB activities, publications, and trainings, visit the PHB website.