How has the reduction in international aid impacted Financial Service Providers?

FIELD SURVEY 2025

GRAMEEN CRÉDIT AGRICOLE FOUNDATION
Microfinance & Social Business

CERISE+SPTF

FINANCIAL INCLUSION EQUITY COUNCIL

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CREDENTIALS

Report writing
Dominique Weiss

Publication management
Edouard Sers

Survey design and research
Annabelle N'sa Kalenga
Dominique Weiss
Maxime Borgogno
Sary Valenzuela

Editorial committee
Deborah Drake
Dominique Weiss
Edouard Sers
Laura Foose
Philippe Guichandut
Vincent Brousseau

Editorial design
Philippe Guichandut

Advice
Daniel Rozas
Emmanuelle Javoy
Thomas Shaw

Illustration
Geoffroy Lefort

Graphic design
Florence Depretz

Context & Key Figures

86
RESPONDENTS

58
COUNTRIES

79%
FINANCIAL SERVICE PROVIDERS

37%
FROM SUB-SAHARAN AFRICA

49%
FINANCE AGRICULTURE & LIVESTOCK

30%
FINANCE TRADE

This field survey is an initiative of **Grameen Crédit Agricole Foundation** in partnership with **CERISE+SPTF** and the **Financial Inclusion Equity Council (FIEC),** two networks that bring together field practitioners (Financial Service Providers[1], Investors, and FSP networks). The survey aims to assess the impact of the **reduction of international assistance** on the financial inclusion sector, following the recent decrease in aid contributions from the USA and other donor countries' to development programs worldwide.

International aid has been reduced by **7.4% in 2024** and even more dramatically in 2025 following the **USAID abrupt shutdown** (from programs worth 120 bn USD in Jan 2025 down to 69 bn USD in May *(source: NY Times, June 2025).*

> *« There is not a single area of development and humanitarian assistance USAID has not been involved in. »*
> *Abby Maxman, President & CEO, Oxfam America.*

Many European countries have also significantly decreased their contribution **(25% to 40% cuts)** including Germany, the Netherlands, France, Belgium and more recently the UK[2]. OECD expects the global decrease in 2025 could range between **9% and 17%** *(source: OECD, June 2025).*

Even though inclusive finance is essentially based on self-sustainability, **FSPs and/or many of their clients and beneficiaries may rely directly or indirectly on aid-supported programs** that support economic stability, access to essential services in health, education, infrastructure and energy. In the survey, **58% of respondents** offer some services that are **funded by international aid.** In addition, some **FSPs obtain part of their financing from international funds which come from public funders.**

The collected feedback from **86 respondents** across **58 countries** has been instrumental to deepening the understanding of the current and potential impacts of aid reduction on FSPs and their clients, including emerging risks, adaptive strategies, and potential opportunities.

79% of respondents are Financial Services Providers from the field, which is the heart of the survey. The remaining non-FSP respondents bring valuable perspectives from a more external viewpoint. **37% are from Sub-Saharan Africa,** representing the strongest regional participation. **Two-thirds of respondents are Tier 2 FSPs,** while **Tier 1 and Tier 3 are equally represented** in the sample[3]. In terms of business sectors financed, majority of FSP respondents are in agriculture or livestock farming at **49%, followed by trade at 30%**[4].

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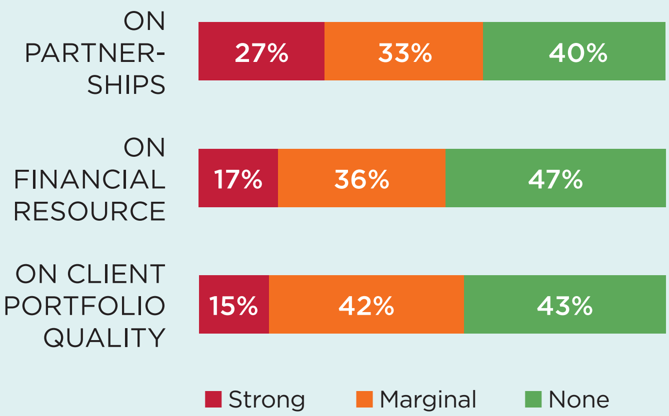
[1] Referred to as "FSP" in this article.
[2] According to the 2024 Tameo PAIF Report, "public funders played an increasingly significant role both in 2022 and 2023, growing by 29% in 2023 to reach a 32% share".
[3] Tiers 2 FSPs are defined as medium-sized FSPs with a loan portfolio between 10 mln USD and 100 mln USD. Tiers 3 FSPs have a loan portfolio below 10 mln USD and Tiers 1 have a portfolio above 100 mln USD.
[4] See appendices for detailed information about respondents.

01
Direct impact on Financial Service Providers

TO WHAT EXTENT ARE FSP ORGANIZATIONS ALREADY DIRECTLY IMPACTED BY THE RECENT CUTS IN FOREIGN AID?

LEVEL OF IMPACT OF AID CUT



- Partnerships represent the most affected area, with 27% of respondents reporting a strong impact and 33% reporting marginal impact.
- Impact on financial resources have also been significantly affected, with 17% respondents being strongly impacted and 36% marginally impacted.
- While portfolio quality has a less direct link to the decrease in aid, 15% respondents still reported a strong impact and another 42% reported marginal impact. This reflects the rising financial difficulties suffered by low-income clients.

The majority of respondents are already affected by the aid cuts, either strongly or marginally, with 60% reporting impacts on partnerships, 57% on portfolio quality and 53% on financial resource.

> 27% of respondents are strongly affected in their partnerships - these FSPs report that they have had to discontinue projects requiring technical assistance or subsidies, particularly those focused on **health, Water, Sanitation, and Hygiene (WASH), refugees and gender equality.**

« The recent reduction in international funding has significantly impacted our operations. As a result, we have experienced constraints in our ability to scale outreach, sustain program growth, and maintain some of the specialized services that depend heavily on external support such as WASH Funding. Key operational areas affected include credit availability for clients in underserved regions, capacity-building initiatives for staff and communities, and the pace of implementing new innovations aligned with our mission. »

Head of Funding and Project manager, NBFI in Kenya

The disruption of FSP partnerships is particularly concerning, as they play a key role in building the resilience of low-income populations to shocks. Strengthening resilience of vulnerable groups remains a fundamental objective of financial inclusion, as highlighted in the e-MFP 2024 Financial Inclusion Compass(5).

The loss in subsidies to enhance microfinance programs tied to WASH or health interventions significantly undermines social impact as these programs are particularly effective at protecting families from falling further into poverty from health-related expenditures. In Dar es Salaam, Tanzania, a 2019 mixed-methods study showed that microfinance loans coupled with health interventions reduced illness-related disruptions to business, improved young men's health-seeking behavior, and led to better overall health outcomes(6).

The impact of aid cuts is also severe as it affects vital investments. According to Jorge Alvarez-Sala from UNICEF(7), ODA (Official Development Aid) represents 17% of global WASH sector investments and 2025 aid cuts to the sector have since reduced WASH investment by USD 450 million. He noted that this reduction should not be underestimated, as without essential investments in systems strengthening and the broader enabling environment, other components of the WASH ecosystem may not function as effectively as they should.

Reduced Operational Capacity: Limited funds forced our NBFI to scale back outreach programs, product development, and branch expansion, especially in refugee settlement. Decreased loan portfolio in the refugees: Less funding to groups reduced the capital available for lending, affecting the ability to serve low-income customers.
Head of Product Development, Research and Marketing, NBFI in Uganda

> The **15% Respondents who reported portfolio quality** to have been strongly impacted cited various factors, including the general crisis (Lebanon), the loss of agricultural guarantees (Benin), the decline in portfolio growth (India), the reduction in operational capacities and the decline in the refugee portfolio (Uganda).

The **42% Respondents** who reported portfolio quality to be **marginally impacted** attributed this to reduced income for local farmers, women, and youth which affect the loan payment (testimony from a Bank in Cambodia and an International Network) as well as slower progress in building sustainable livelihoods (Consultant, Laos).
In those cases, establishing a direct causal link between the reduction in international aid and portfolio quality does not appear straightforward.
However, the reduction in aid may affect the growth of FSP's portfolios, particularly among more vulnerable groups, which, in turn, could affect portfolio quality as less fresh funding is provided. Impacts on portfolio quality are expected to materialize over time as the broader economy contends with the combined pressures of aid cuts and US tariffs.

> **Agriculture financing and rural deployment** are also reported to be significantly affected, for example in Cameroon, Guinea and Benin due to the reduction in institutional guarantees. Among the panel of respondents, 49% offer agriculture or livestock funding to their end clients.

« Some of our funding is guaranteed by the final beneficiary of agricultural products, such as the World Food Programme. With the reduction in aid, we have not funded corn producers this year, for example, for fear of not being reimbursed. »
Head of investment, NBFI in Benin

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(5) *The Financial Inclusion Compass is the annual e-MFP Survey of Financial Inclusion Trends. In a spirit of collaboration between industry initiatives, several reference are made throughout this article to the latest Compass (referred as the 2024 FI Compass in this article) : [The Financial Inclusion Compass 2024]*

(6) *Balvanz, P., Yamanis, T. J., Mulawa, M. I., Mwikoko, G., Kajuna, D., Kilonzo, M. N., & Maman, S. (2019). Microfinance and health interventions: Factors influencing loan repayment success with young men in Dar es Salaam, Tanzania. Global public health, 14(2), 254-270*

(7) *Webinar: WASH Matters More Than Ever: Opportunities for Change, Investment, and Impact (2025). [YouTube]*

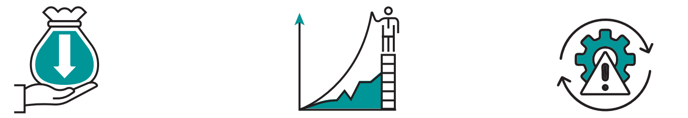
« Our project is under the ministry of agriculture and rural development of the country and so the loss of partnership for the government means a loss for us. »

Project Manager in Cameroon

> While fragile or extremely fragile countries represent only 13% of respondents' countries, more than half who report to **be strongly affected come from extremely fragile or fragile States** (Democratic Republic of the Congo, Myanmar, Ethiopia, Cameroon, Burkina Faso, Lebanon, Uganda, Kenya, Sri Lanka). Their testimony generally reflects a combination of difficulties they must address (see below).

This field feedback serve as an important alert given the already existing challenges to creating an enabling an environment for inclusive finance in these countries(8). As described in a May 2024 paper by CGAP reflecting on the role of funders in fragile countries, customers from these fragile contexts face more limited access to formal financial services, at higher costs, and with products that are less suited to their needs.

According to CGAP, providers in fragile markets face a triple threat.



REDUCED REVENUES | HIGHER COSTS | INCREASED RISK

In this context, it is even more necessary to explore and develop new approaches(9).

At present, international financial aid is extremely limited, and as a result we are struggling to sustain internal development and deliver essential training to our clients. These capacity-building efforts are not optional; they are critical for resilience and recovery. Immediate support is especially urgent in countries like Myanmar, where injustice and humanitarian crises are widespread. Without timely assistance, both organizations and the communities we serve risk falling further behind.

Head of Investment,
NBFI in Myanmar

« Lebanon has been in a severe financial crisis for the past 6 years. Due to political gridlock no economic reform plan has been adopted by the government. International aid has been tied to reforms and as such precious little is reaching our MFI in the meantime. This is compounding the impact of the crisis (which already devastated our finances) and with the almost drying up of international aid to the sector, we suffer from limited liquidity, thus forcing to curtail significantly our financial services to our clients. »

Executive Director of a Foundation in Lebanon

(8) *From Crisis to Resilience: The Role of Inclusive Finance in Fragile Countries | CGAP Research & Publications. This paper offers a framework for considering how funders may think about interventions based on a range of different contexts, including dimensions of security, social cohesion, government capacity, and institutional legitimacy.*

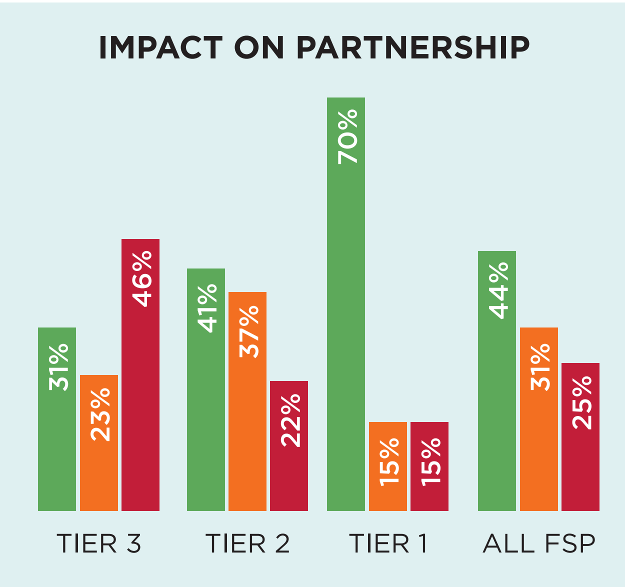
(9) *In its paper, CGAP advised the sector to leverage humanitarian cash transfers, understand informal financial services and improve local market facilitation.*

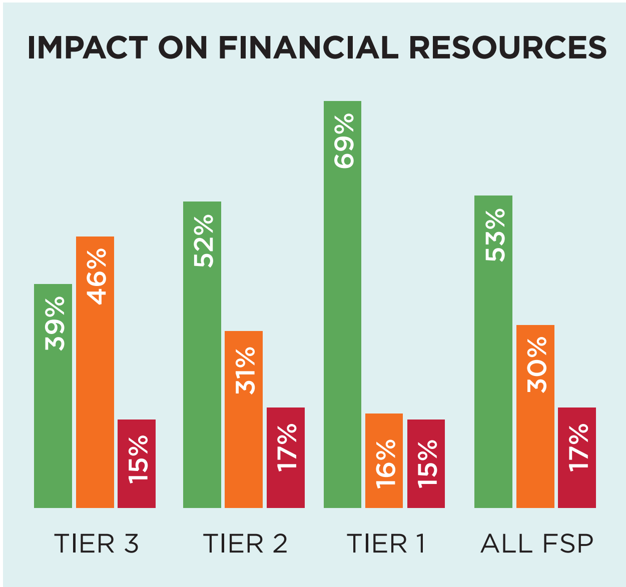
> FSPs belonging to **international networks** report constraints put on their shareholders that may jeopardize their development and access to resources. Indeed, networks that combine humanitarian programs with financial inclusion appear to be particularly weakened by the aid shrinkage. These international NGOs & networks are themselves highly exposed and vulnerable to foreign aid cuts. Typically, the backing of a large international network is a source of resilience – in this context, it has become a source of vulnerability.

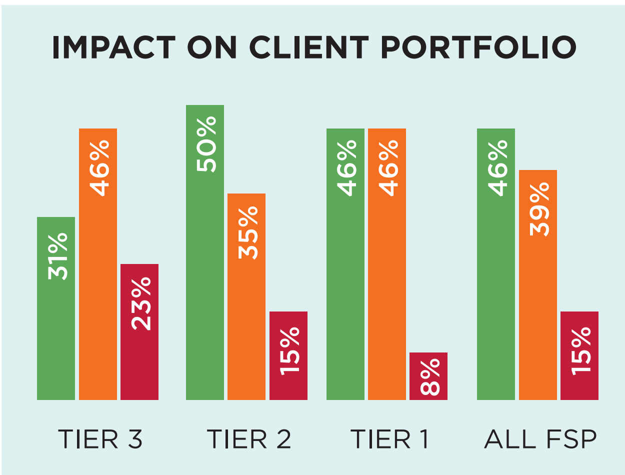
« The stop of foreign aid put under stress the shareholder, an NGO using the Foreign international aid for humanitarian actions. »
CEO, NBFI in Kyrgyzstan

« The NGO provided annual grants in cash and in kind (vehicle) to support the impact. This could not be done this year and the same will apply in future years. »
CEO, NBFI in Senegal

> **Size matters: Tier 3 FSPs** report stronger impacts **on partnership and client portfolio,** in comparison to other tiers. Whereas 69% of **Tier 1 FSP are not at all impacted for financial resources,** 71% of Tier 3 report to be strongly (15%) or marginally (46%) impacted. Among Tier 2 FSPs, 50% and 48% report some sort of impact on portfolio quality and financial resources, respectively, while up to 59% report impact on partnership, reflecting again this salient effect on mid-sized institutions.



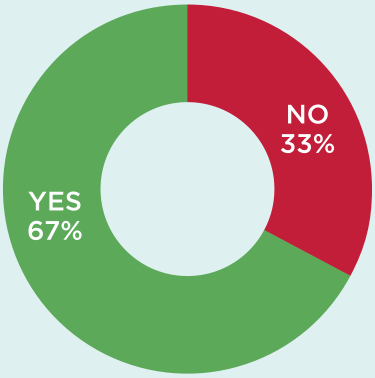




None Marginal Strong

WHAT ARE THE EXPECTATIONS ON FUTURE IMPACTS FOR THE FINANCIAL INCLUSION SECTOR?

DO YOU EXPECT THE CUT INTERNATIONAL AID PROGRAMS TO AFFECT YOUR ORGANISATION IN THE FUTURE?



- **67% of respondents expect to be impacted by the aid cuts** (versus 61% already affected).
- The areas where FSPs will be most hindered are **climate change adaptation or mitigation, clients' resilience to shocks, digital transformation, innovation and gender mainstreaming.**

It is striking that the top priorities in the 2024 FI Compass globally correspond to the areas expected to be most affected by cuts in program aids in this survey. Given the suddenness and severity of the cut in US aid programs, FSP managers have apparently not yet taken action for the challenges ahead.

In the 2024 FI Compass, respondents[10] ranked Climate change adaptation or mitigation as the 1st priority for the sector. In the present survey, this is the area expected to be the most severely affected by aid cuts, and therefore certainly where the investors community will need to concentrate most of its efforts.

This is not surprising: according to the Tameo 2024 PAIF report, public funders were the primary source of capital at the end of 2023, ranging from 54% in food and agriculture to 74% in climate and energy funds and 87% in education and health funds.

In contrast, public funders represented only 17% of funding sources for microfinance funds.

To illustrate possible benefits of climate change related products: in 2020, an FSP in the Philippines, in collaboration with Cerise+SPTF, assessed client vulnerabilities and found that extreme urban heat was the most significant environmental risk. To support climate change adaptation, the FSP offered energy efficient and green technology loans, while helping households assess and optimize energy use. This partnership stands to generate significant economic and health impacts on households due to reduced energy costs and risk for heat-related illnesses[11].

Clients' resilience to shocks is ranked second most affected area. Resilience, understood as creating a culture of savings as well as insurance and consumption smoothing, is closely intertwined with climate change as extreme weather and climate events increase client vulnerability. Indeed, innovative financial products can play an essential role in strengthening resilience against health shocks in a timely manner. In 2016, a credit union in Burkina Faso introduced a savings product earmarked for health expenses, which also made them eligible for a larger health loan. The program was well received, strengthening low-income households' resilience to health shocks while allowing the institution to reinvest revenues into community health services[12].

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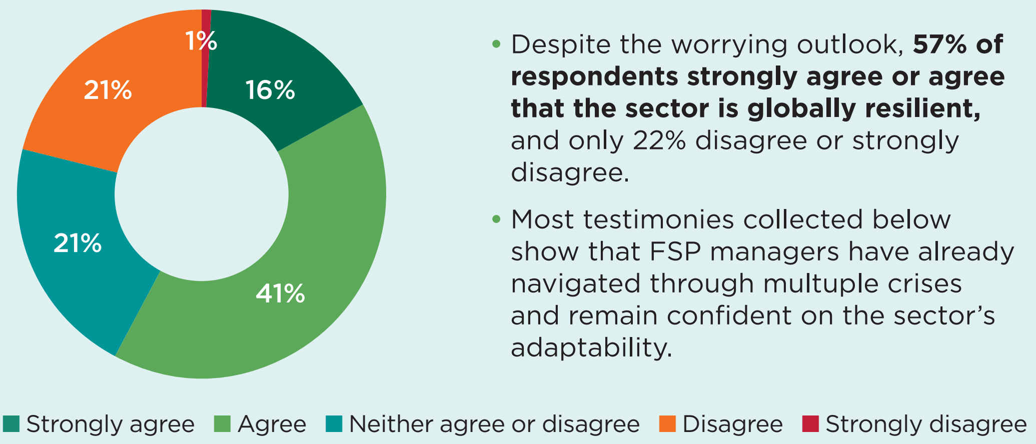
[10] FSPs, consultants and service providers, funders, researchers and infrastructure organizations.
[11] SPI on-line Resource Center [12] SPI on-line Resource Center

Areas where the impact of aid cuts will be strongest	Survey Ranking	2024 FI Compass priorities
Climate change adaptation or mitigation	1	1
Client's resilience to shocks	2	3
Digital transformation of financial providers	3	4
Innovation in product development	4	6
Gender mainstreaming within financial inclusion organisation	5	7
Institutional and sector-level resilience to crisis	6	13
Clients' financial health	7	3
Client protection	8	2
Financial performance management	9	
Institutional strategy and change management	10	14
Governance	11	9
Fraud against customers	12	

IS THE INCLUSIVE FINANCE SECTOR PROVING GLOBALLY RESILIENT TO THE GEOPOLITICAL CHANGES, AID CUTS AND INCREASE IN TRADE TARIFFS THAT THE WORLD IS EXPERIENCING?

THE INCLUSIVE FINANCE SECTOR IS PROVING GLOBALLY RESILIENT TO THE GEOPOLITICAL CHANGES, AID CUTS, AND INCREASED TARIFFS



- Despite the worrying outlook, **57% of respondents strongly agree or agree that the sector is globally resilient,** and only 22% disagree or strongly disagree.
- Most testimonies collected below show that FSP managers have already navigated through multuple crises and remain confident on the sector's adaptability.

« The inclusive finance sector has shown remarkable resilience by adapting quickly to global disruptions through digital innovation, localized operations, and diversified funding. »
CEO, NBFI in Kyrgyzstan

« The field of inclusive finance shows notable resilience, but it is not foolproof. This resilience depends largely on the maturity of local institutions, domestic political stability, digital integration, and the diversification of financing sources. »
Deputy MD, Cooperative in Benin

« While the inclusive finance sector has shown notable resilience in some markets — for example, microfinance institutions have recovered quickly after COVID-19 disruptions — it remains vulnerable to external shocks such as cuts in donor funding, rising interest rates, and global economic slowdowns. In regions heavily dependent on international aid or concessional funding, these geopolitical changes and aid cuts have constrained operations and slowed outreach to marginalized communities. Therefore, while some parts of the sector demonstrate strong resilience, the overall picture is mixed and context specific. »

Head of Funding and Project manager, NBFI in Kenya

« The inclusive finance sector is highly sensitive to geopolitical upheaval. »

CEO, NBFI in Bosnia Herzegovina

« Although the inclusive finance sector has demonstrated considerable resilience in the face of global challenges such as geopolitical tensions, reductions in foreign aid, and disruptions in trade, these factors still create localised pressure. Many institutions, especially in developing markets, have managed to adapt their business models and diversify funding sources. However, some organizations—particularly those highly dependent on donor funding—have experienced setbacks in portfolio growth and outreach. Overall, the sector shows strength, but continued adaptation and strategic planning are essential for maintaining stability. »

CFO, NBFI in Uzbekistan

« We have been in such an uncertain situation since 2014, so we have adapted to geopolitical changes. »

CEO, NBFI in Tajikistan

« At this point it is difficult to know for sure, but it seems that the sector is much less reliant on direct aid than it was in the past. The geopolitical changes/uncertainty may have the biggest impact as it could affect the stability of financial sectors and the regulation thereof. »

Global Chief Risk, MFI Network in USA

The 22% of respondents who disagree or strongly disagree include FSPs from Sub Saharan Africa, Heads of international networks, a researcher, and one FSP from Cambodia. Those 4 groups may have been more exposed to diverse, intense and frequent external shocks.

« The inclusive finance sector is highly vulnerable to global geopolitical shifts, aid reductions, and trade tensions. These factors often lead to reduced funding, increased uncertainty, and disrupted financial flows to low-income and underserved communities, directly undermining the sector's stability and outreach. »
Head of Product Development, Research and Marketing, NBFI in Uganda

« The most worrying is that financial resources are decreasing, so there are no longer the necessary means to identify and make visible the negative impact on these populations. They often remain invisible and silent, which could give the illusion that nothing is changing while the reality is quite different. »
COO, Global Network in France

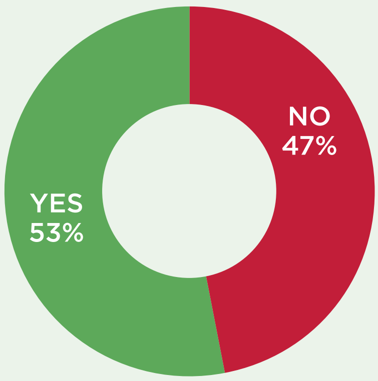
« The inclusive finance sector is greatly affected by all these changes and must prepare to become more resilient. The economy is deeply intertwined with geopolitical changes, reductions in foreign aid, and issues regarding customs duties. The level of impact will be proportional and vary depending on the type of institution and their sources of funding. »
CEO, NBFI in DRC

« In my opinion, I'd say the inclusive finance sector is like a rock in the midst of the global storm we're experiencing. Despite all the geopolitical storms, aid cuts, and complicated trade negotiations, it has remained incredibly strong. Why? Because it focuses on what's truly essential: the financial needs of ordinary people in their communities. It's also a sector that has known how to leverage technology to reach more people and become more efficient. Ultimately, the need to save, have a small loan, or basic insurance is always there, and that gives it a very solid foundation to withstand any shock. It's like an ecosystem that adapts and moves forward, no matter what. »
CFO, Bank in Dominican Republic

« Microfinance is countercyclical. »
CFO, NGO in Peru

02 Impact on low-income and vulnerable clients

HAS ANY IMPACT ALREADY BEEN OBSERVCED AMONG LOW INCOME AND VULNERABLE CLIENTS?



- The respondents that have already witnessed an impact of aid cuts on their vulnerable clients emphasize that they will suffer from a **lack of access to agri-finance and to green and climate-smart finance.** This is consistent with the fact that agriculture and livestock farming is the main business sector (49%) financed by FSP respondents as well as the impact on portfolio quality reported earlier[13].

Again, the ranking of the areas most affected by aid cuts below match the reported top priorities that survey respondent planned to address to better serve their clients in the 2024 FI Compass study. Addressing climate change's negative impact on agricultural yields will be challenged by the lack of funding for access to Agri-finance resulting from aid cuts. Financial inclusion for the ultra-poor is now made more difficult as it was often supported by assistance projects.

« The reduction in aid funding will reduce the subsidies that have allowed projects with financial inclusion activities to assist FSPs to link with their participants/clients. While our Network does not subsidize any financial services it does provide a vehicle to a local FSP to take staff to introduce them to savings groups, who then can open up mobile accounts with the FSP, eventually leading to loans to the savings groups (if there is a need and they qualify) and later to individuals who exceed what can be lent to the groups. Without the subsidy (vehicle and a staff member) the FSP would not be able to identify the groups that are ready for linkage. Thus, if funding is reduced or eliminated, these marginal people will not be included in the linkage and thus will not benefit from a more robust financial inclusion opportunity. »

NGO/network Board member in DRC

[13] *Despite the limits of this finding, see our analysis above in section 1.*

Main impacted areas for vulnerable clients	Rank	2024 FI Compass
Access to Agri-finance	1	2
Access to Green and climate-smart finance	2	3
Financial inclusion for the ultra-poor	3	8
Women's empowerment and gender equality	4	1
Access to SME finance	5	4
Refugees & forcibly displaced people	6	7
Water, sanitation and hygiene (WASH)	7	11
Financial health (including financial and digital literacy)	8	5
Access to education	9	14
Access to health services	10	13
Financial inclusion for youth	11	6
Biodiversity conservation	12	15
Food security and nutrition	13	10
Household/community energy finance	14	16
Disaster resilience	15	9
Housing finance	16	12
Security	17	

« In terms of the opportunity to open new branches and deploy our services to entrepreneurs located in isolated areas, USAID, with its agricultural programs, was a way to establish itself in these areas and serve these rural entrepreneurs. »

Head of Program development, NBFI in Guinea

GIVEN THE CURRENT TRADE TARIFFS AND GEOPOLITICAL TENSIONS, WHAT ARE THE OTHER CONSEQUENCES EXPECTED FOR THE CLIENTS/ END BENEFICIAIRIES?

Inflation, security problems, increased cost of borrowing, higher prices to consumers, loss of job, increased poverty, poverty reduction efforts half cancelled… those are the key words collected. The fear of inflation and its tangible consequences emerged as the primary concern of the respondents.

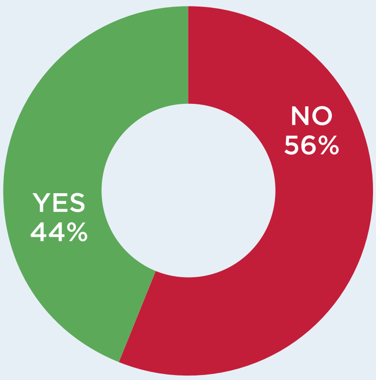
« On geopolitical side, there may be backsliding related to country governance and programs in the countries we work. With the withdrawal of good governance incentives and less financial and political support for programs to help the most marginalized, some governments may stop their activities in such area, and the local populations will not have the political strength to combat those changes. This will affect financial inclusion and innovation. »

Global Chief Risk, MFI Network in USA

03
Strategic changes ahead for FSPs

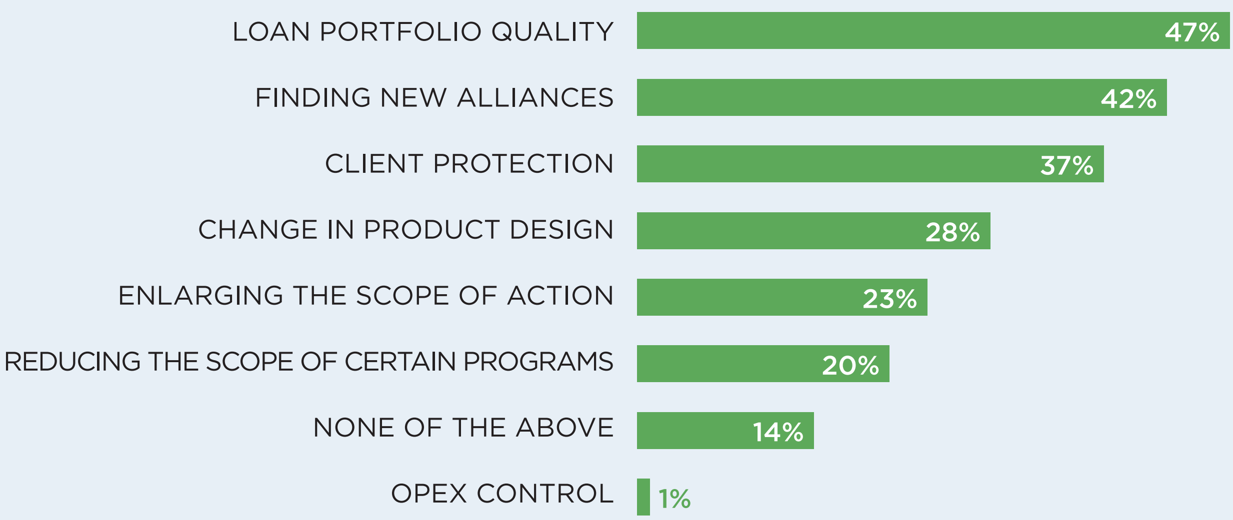
HAS THE FINANCIAL INCLUSION SECTOR CHANGED ITS STRATEGIC APPROACH TO TAKE INTO ACCOUNT THE REDUCTION IN AID? WHICH ARE THE KEY STRATEGIC TOPICS TO FOCUS ON?

HAVE YOU CHANGED YOUR STRATEGIC APPROACH TO TAKE INTO ACCOUNT THE AID SHRINKAGE?



44% of respondents state that they have changed their strategy and will essentially **focus on portfolio quality, finding new alliances and client protection.** The focus on client protection in times of crisis is reassuring from a social and risk management perspective. Interestingly, in the 2024 Financial Inclusion Compass, FSP respondents qualified "appropriate product design and delivery" and "prevention of over-indebtedness" as key weaknesses to tackle in terms of client protection. Both topics appear to require additional attention given the focus on "loan portfolio quality" (47 responses, assuming that portfolio quality management starts with prevention of over-indebtedness) and on the "change in product design" (28 responses). According to the 2024 FI Compass, client protection includes from now on the protection from external threats such as cybersecurity issues from Fintechs and Insurtechs.

INCREASED STRATEGIC FOCUS



It is therefore critical that all actors strengthen **systems of client protection.** FSPs can significantly improve the quality of their portfolios through appropriate product design and a deeper understanding of client behavior and vulnerability. Well-designed products, including those that respond to clients' real needs at specific stages of their lives, help keep customers financially healthy and resilient. This approach moves beyond generic consumer loans and instead supports clients through products that have clear developmental purposes, such as housing, education, or livelihood improvement (See Genesis example below[14]). At the same time, integrating positive aspects of consumer protection—such as transparency, responsible lending, and proactive client support—enables FSPs to better understand and respond to heightened client vulnerability during economic stress. Providing additional support and guidance to struggling clients not only protects them from over-indebtedness but also strengthens repayment discipline and trust, leading to healthier portfolios. In essence, when FSPs design products that align with client realities, uphold client protection, and respond empathetically to vulnerability, they achieve a dual outcome: clients thrive, and portfolio quality improves sustainably.

« The company has begun offering financial services that support individuals and beneficiaries in sustaining their businesses and commercial activities. These services are provided with full adherence to all client protection requirements and standards. In addition, urgent and emergency financing solutions have been made available to help projects maintain continuity and resilience. »

Credit Manager, FSP in Palestine

« We are finding that alliances are of increasing importance in identifying and structuring equity investments. »

MD, Equity investor in Canada

« We have taken concrete steps to maintain and improve the quality of our client portfolio by strengthening credit analysis, regularly monitoring risk, and providing support to clients in difficulty, with the aim of preventing deterioration in portfolio performance. »

CFO, FSP in Kosovo

Despite these initiatives, "Reducing the scope of certain programs" is mentioned 20 times, mirroring the proportion of respondents strongly affected regarding their partnerships (27%) and financial resources (17%).

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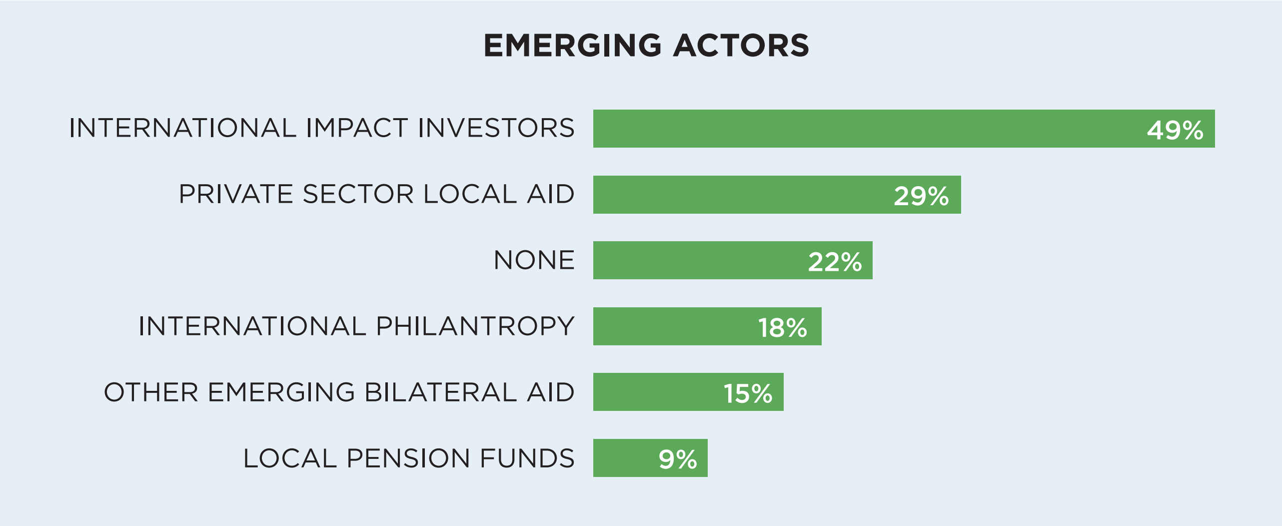
[14] Fundación Génesis Empresarial (Génesis) from Guatemala offers a compelling example of mainstreaming client protection through innovative product design. Their financial products are intentionally designed towards development goals that support both financial and social well-being (IDB, 2023). Through a segmentation-based development pathway, Génesis identifies not only what the customer wants but also what they need at that point in their lives, offering business loans, training workshops, formal education programs, and products that improve living conditions. One initiative is their loan program to improve flooring in rural homes to help prevent diseases. In turn, this allows clients to remain healthy, improving productivity and their portfolio quality.

ARE THERE EMERGING ACTORS THAT COULD HELP FSPS IMPLEMENT THEIR STRATEGIC CHANGES?



International Impact investors are seen as the main actors that will take over the role of international assistance for FSPs. The question is whether this is a realistic expectation given that Private Asset Impact Funds sourced 32% of their funding at the end of 2023 from public funders (Tameo, PAIF Report 2024[15]), and while international aid has significantly reduced since 2024, as presented in the introduction of this report. While it could reflect a mismatch between expectations and the current reality of funding in the sector, this situation is also an invitation to find new innovative ways to better leverage public funding.

Local aid from private sector is mentioned as the second alternative in fundraising, which seems to reflect a new trend. This feedback came from FSPs facing very high country risk (that prevent many international funders from maintaining their intervention) but also other FSPs located in countries still accessing international funding.

« Currently, we are exploring local funding opportunities while closely monitoring portfolio quality. »

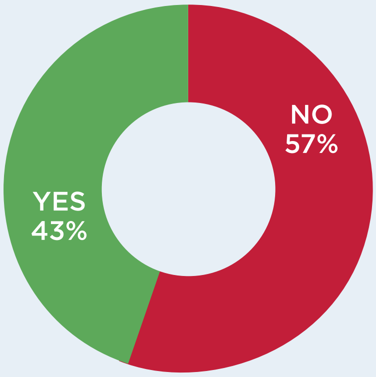
Head of Investment, FSP in Myanmar

Respondents that reported not identifying any emerging actors are in majority those not impacted by the recent cuts in foreign aid (90% of this group report not being impacted in terms of portfolio quality and financial resources and 66% report not being impacted in terms of partnerships).

[15] *Tameo 2024 Private Asset Impact Fund Report delivers the most comprehensive analysis to date on private debt and private equity impact funds targeting developing countries. With the market now valued at USD 103.7 billion, this flagship report draws insights from 230 surveyed funds, compiling more than 300 financial and impact performance indicators.* [*Private Asset Impact Fund Report - Tameo*]

IN REACTION TO THE DOWNSIZING AND REDEFINITION OF INTERNATIONAL ASSISTANCE, IS THERE A CHANGE OF MINDSET AMONG FSP ORGANIZATIONS?

DO YOU NOTICE A CHANGE OF MINDSET IN YOUR ORGANIZATION (GOVERNANCE / MANAGEMENT / STAFF LEVEL)?



- **43% of respondents** report a change of mindset, mostly demonstrating a strong willingness to adapt to the situation by enhancing their self-sustainability through cost control, diversified funding, development of local partnerships and innovation. Some limited feedback were found to be more anxious, reflecting the fear of losing jobs (for staff of international organizations) and increased staff migration to escape an increasingly difficult situation in the country.

« Due to the daily struggles in the country, staff motivation has declined, and the high inflation makes it difficult for staff and adults, increasing their intent to migrate. »

Head of Investment, NBFI in Myanmara

« Our teams are more proactive in seeking innovative solutions, embracing digital transformation to cut costs, and redesigning products to align with clients' evolving needs. »

Head of Funding and Project manager, NBFI in Kenya

04
Main insights from the survey

The majority of FSPs are already affected by the cuts in international aid. Most heavily affected FSPs tend to be small (Tier 3), those in fragile countries, and those that substantially rely on grant or project funding, including support from their international networks.

The areas in which FSPs are most hindered correspond to the prioities identified in 2024: climate change adaptation or mitigation, client's resilience to shocks (health, WASH, refugees), digital transformation, innovation and gender mainstreaming.

The most impacted sectors for the low-income clients include access to agri-finance, access to green and climate-smart finance, and inclusion of the ultra poor.

Despite the challenging outlook, most testimonies collected show that FSP managers have already navigated through many crises and remain confident on the sector's capacity to adapt.

Most FSPs state that they will refocus their strategy essentially on portfolio quality, on finding new alliances and on client protection.

There is a mismatch between FSP expectations and market perspectives. Indeed, International Impact investors are seen as the main actors that will take over the role of international assistance for FSPs while these international impact funds are themselves likely to be dealing with reduced funding and would thus be unable to fill the gap. This is why there is an urgent need for blended finance funds to unleash its huge potential through enhanced partnership with Development Finance Institutions (DFIs), Multilateral Development Banks (MDBs), private specialized funders and enhanced standardization of impact-driven vehicles. Local private sector is seen as the second source of funding to fill the gap.

Given the challenges that come with current trade tariffs and geopolitical tensions, FSP managers generally fear inflation and the increased costs of borrowing.

05
Call to action

The survey provides valuable insights from field actors who are in direct contact with beneficiary populations. We call on all stakeholders in the financial inclusion sector to direct their actions according to the following 5 actions.

ACTION 1
LOCAL COOPERATION

In the face of the reduction of public (concessional and commercial) funds, earmarked for shock resilience and innovation (agricultural financing, insurance, climate solutions, WASH, digital transformation), and for the promotion of women's empowerment, stronger **cooperation and collaboration with local actors is the key.** This involves seeking new strategic alliances with the local private sector (companies, philanthropists, institutional actors) as well as with local or regional public actors. These new partnerships could be supported through guarantee mechanisms or first-loss funds offered by DFIs and MDBs.

ACTION 2
BLENDED FINANCE

At the level of financing financial institutions, investors and asset managers must structure solutions that allow for **standardization, scaling up, and optimization of blended finance fund levers** in order to adapt the public-private ratio to current realities.

ACTION 3
SYNERGIES BETWEEN FSPS

Fostering and **supporting synergies between financial institutions will enable to pool resources and innovations and achieve greater efficiency** in territories, particularly in fragile countries or those affected by sectoral and structural crises. The greater collaboration between actors can be a viable path to achieving these objectives.

ACTION 4
CLIENT PROTECTION

While financial institutions plan to focus their field actions on **managing portfolio quality and protecting clients** amid rising inflation and the withdrawal of aid projects, it is equally critical that all actors **strengthen systems of client protection.** FSPs can significantly improve the quality of their portfolios through **appropriate product design** and a deeper understanding of client behavior and vulnerability.

ACTION 5
IMPACT MEASUREMENT

In order to ensure sustainable access to concessional resources and attract more private investors, the sector must focus its efforts on identifying the negative and positive impact of financial inclusion on populations, to better understand its utility and ways to improve. **Measuring its impacts and understanding its key success factors must become a priority.** Impact-linked finance mechanisms should be further promoted as they place impact at the center of discussions between Financial Service Providers and their investors.

06
Next steps

Based on our survey findings, CERISE+SPTF, the Financial Inclusion Equity Council and the Grameen Credit Agricole Foundation take decisive action through:

KNOWLEDGE SHARING

> **Targeted Webinars** delivering comprehensive survey insights to respondents and key stakeholders followed by open solutions-driven discussion as concerned industry practitioners.

> **Strategic Industry Collaboration** to continuously monitor international aid reduction impacts on FSPs through follow-up research and dedicated workshops at major industry events like CERISE+SPTF annual gatherings.

INNOVATION SHOWCASE SERIES

We'll spotlight **groundbreaking initiatives** addressing our call to action:

> Enhancing client protection through innovative, purpose-driven product design.

> Revolutionizing blended finance through advanced structural frameworks.

> Cross-sector adaptation strategies for current market challenges.

> Successful models of strengthened collaboration with local partners.

ADVOCACY CAMPAIGN

Amplifying our findings beyond financial inclusion circles to influence decision-makers and policy architects.

These actions will be implemented collaboratively by the three organizations, working in partnership with interested stakeholders.

Final testimonies

« Services like health, WASH, economic support and women empowerment have suffered due to international funding cut down and whole interventions were stopped. »
CEO, NBFI in Pakistan

« Inclusive finance is rapidly becoming a key pillar of global stability. Even as geopolitical challenges intensify, international aid declines, and trade negotiations grow more complex, the sector continues to evolve and flourish. No longer centered solely on increasing access to financial services, it now strives for deeper impact—enhancing financial well-being, promoting climate resilience, and advancing gender equality. This transformation is linking inclusive finance more closely with broader development objectives. »
Credit Manager, NBFI in Palestine

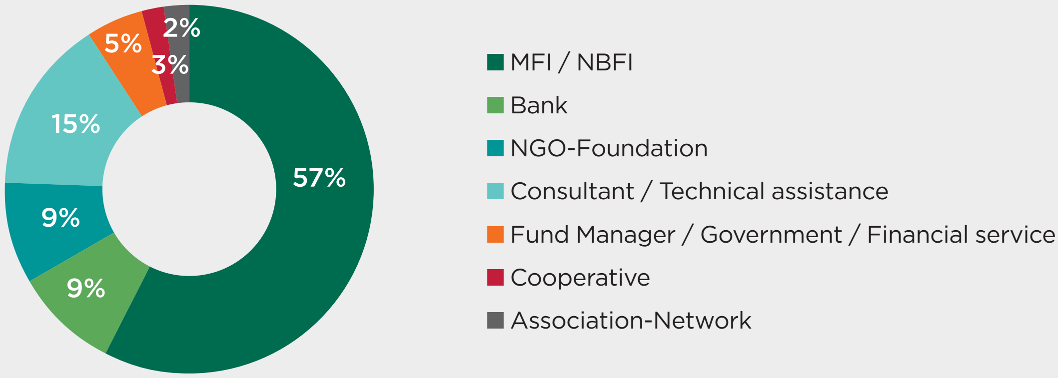
« Organizations are adapting and looking for alternatives. »
CEO, NBFI in Uganda

« The impact on the South African economy is significant and affects the wellbeing of our clients and their microbusinesses. »
CEO, NGO in South Africa

« The sector continues to require investments, and I do not believe financial inclusion will avoid being impacted by meaningful aid cuts. »
MD, Equity Investor in Canada

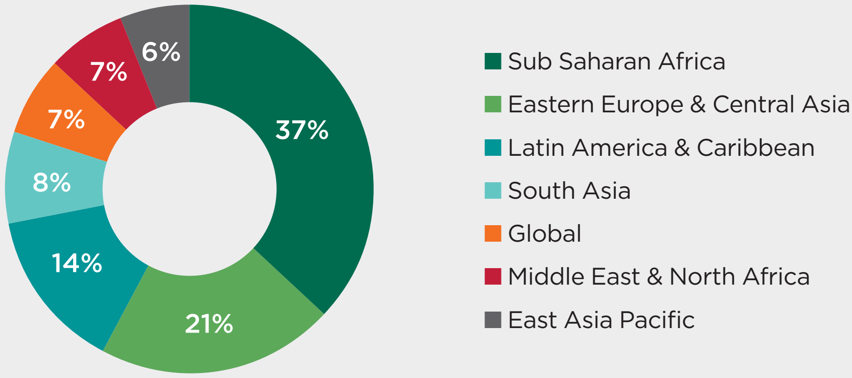
07
Annex: Respondents' Identification

RESPONDENTS BY TYPE



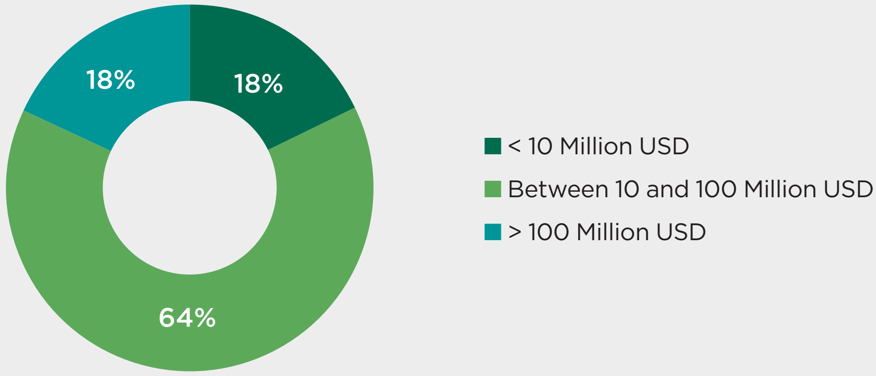
The respondent panel includes a representative range of different financial finance providers, NBFI, Banks and NGOs.

RESPONDENTS BY REGION



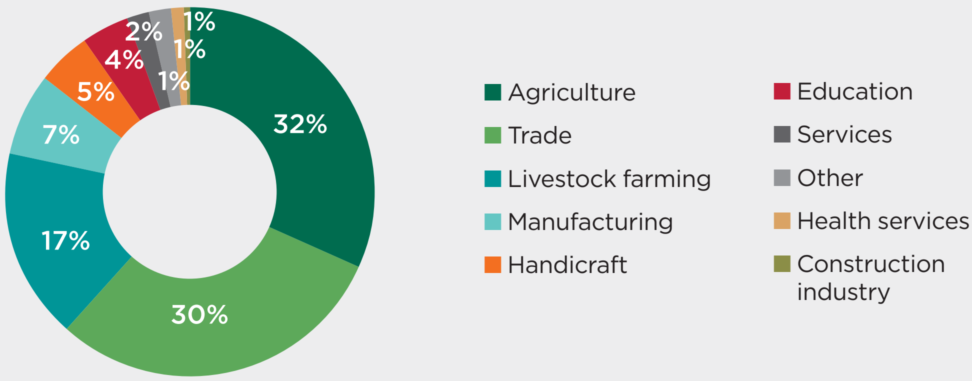
Answers come from 58 different countries from all regions. More than one third of answers come from Sub Saharan Africa.

RESPONDENTS BY SIZE



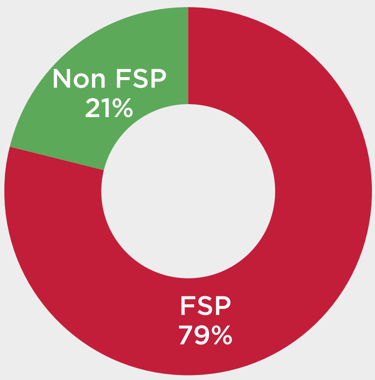
Two thirds of answers come from Tier 2 FSP while Tier 1 and Tier 3 are equally represented in the sample.

SECTOR FINANCED BY RESPONDENTS



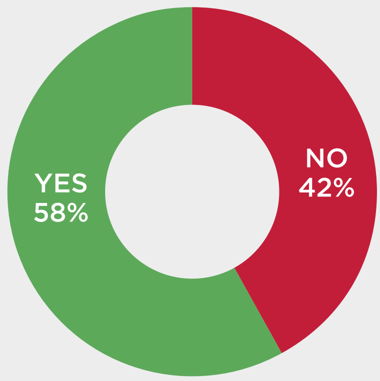
Business sector financed by FSP respondents are dominated by agriculture (49 % for agriculture and livestock farming) followed by trade (30%).

RESPONDENTS FSP VS CONSULTANTS-ASSOCIATION



79% of answers come from FSP from the field, which is the heart of the survey. Non FSP answers bring valuable insight from more distant point of view.

HOW MANY OFFER SERVICES FUNDED THROUGH INTERNATIONAL AID



58% of respondents offer services that are funded through international aid, reflecting the pertinence of this survey.

CALL TO ACTION

- FORGE STRATEGIC LOCAL ALLIANCES
- REVAMP INVESTMENT STRUCTURES
- DRIVE INSTITUTIONAL SYNERGIES
- STRENGTHEN CLIENT PROTECTION
- PRIORITIZE IMPACT MEASUREMENT

GRAMEEN CRÉDIT AGRICOLE FOUNDATION
Microfinance & Social Business

CERISE+SPTF

FINANCIAL INCLUSION EQUITY COUNCIL

www.gca-foundation.org

cerise-sptf.org/fr

gca-foundation.org/contact

laurafoose@sptfnetwork.org deborahdrake@sptfnetwork.org