

Ministry of Foreign Affairs – (Department for Growth and Employment, VBE)

Meeting in the Council for Development Policy 12 June 2018

Agenda item 3

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| 1. Overall purpose | For discussion and recommendation to the Minister |
| 2. Title: | Support to CGAP VI – strategic directions 2019-2023 |
| 3. Presentation for Programme Committee: | 4 May 2018 |

Support to CGAP VI – strategic directions 2019-2023

Key results:

The commitment will contribute to the financing and implementation of CGAP's next 5-years strategy. The results will be achieved within the following four interconnected priorities:

- **Customer value:** Development and promotion of financial services that are better adapted to the needs of poor people meaning that poor people are willing and able to use them
- **Emerging business models:** New business models capable of promoting both scale and depth of financial inclusion penetration have been developed and adopted
- **Financial infrastructure:** Improved financial market infrastructure, such as credit bureaus, collateral registries, rating agencies and payment systems that are based on digital technologies, have been developed and promoted
- **Next generation policy and regulation:** Governments and regulators have been supported to adapt their policies, regulations and systems to the new financial services ecosystem.

Justification for support:

- About 40% of the world's adult population is excluded from financial services. These people are extremely vulnerable and to a large extent excluded from societal opportunities.
- Affordable, easily accessible and responsible financial services, adapted to the needs of the poor are in this respect important, and CGAP is well positioned to address these challenges.
- The new commitment is fully in line with Danish and international development policies emphasising the importance of combatting poverty and fragility, promote inclusive and sustainable development, and generate opportunities and jobs for poor people, especially women and youth.

Major risks and challenges:

There are a number of contextual risks including inadequate financial inclusion commitment among policy makers, regulators and providers of financial services, and the risks of market chocks due to financial system failures. However, CGAP is an experienced organisation capable and well positioned to manage such risks.

File No.	2018-10527						
Country	Global						
Responsible Unit	VBE						
Sector	Financial inclusion						
Partner	Consultative Group to Assist the Poor/CGAP						
<i>DKK mill.</i>	2018	2019	2020	2021	2022	Tot.	
Commitment	20					20	
Projected ann. disb.	8	3	3	3	3	20	
Duration	2018/19 – 2022/23						
Previous grants	56.0						
Finance Act code	§06.38.02.12						
Head of unit	Ole Thonke						
Desk officer	Jørn Olesen						
Financial officer	Hans-Henrik Christensen						

Relevant SDGs [Maximum 1 – highlight with grey]

 No Poverty	 No Hunger	 Good Health, Wellbeing	 Quality Education	 Gender Equality	 Clean Water, Sanitation
 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption & Production
 Climate Action	 Life below Water	 Life on Land	 Peace & Justice, strong Inst.	 Partnerships for Goals	

Strategic objectives:

The overall objective of the support is to advance financial inclusion to improve the lives of poor people. The immediate objective of the support is to contribute to the financing and implementation of CGAP's new strategy, 2018/19 – 2022/23, to expand and deepen financial inclusion of the poor.

Justification for choice of partner:

CGAP is an ideal partner for MoFA in relation to the financial inclusion agenda. It is a leading think tank and donor consortium, supported by all bilateral and multilateral donors as well as some of the major private donors, and it has through its global access to key decision makers within governments, regulatory bodies, financial services providers and donors a very strong impact on the financial inclusion agenda. CGAP maintains a very close dialogue with its members.

Summary:

CGAP is a global partnership of organisations that seek to advance financial inclusion of the poor. The Danish support will contribute to the financing and implementation of CGAP's next 5-year strategy covering the period 2018/19 – 2022/23. An estimated 2 billion poor people, corresponding to almost 40% of the world's working age adults, are excluded from financial services. Financial inclusion is considered as one of the most important factors to mitigate poverty as it can empower poor people, reduce their vulnerability to unexpected economic and social shocks, and enable them to graduate into the formal economy through income generating activities, and access to education, health care and better housing.

Budget:

Core funding to CGAP's next 5-years strategy	DKK 20
Total	DKK 20

Project Document
Support to CGAP VI – strategic directions 2019 - 2023

May 2018

Cover Page

Countries:	Global
Project Title:	Support to Consultative Group to Assist the Poor (CGAP), strategic directions, Financial year 2019 - 2023
Start-End Date:	2018/19 – 2022/23
Budget:	DKK 20 million
Oversight:	CGAP's Executive Committee (board) advises and monitor CGAP's operational team and act as communication link between the members of CGAP and the operational team. The Executive Committee has eleven members of which five represent the member/donor constituencies. Germany is currently representing Denmark, Norway, Sweden, Switzerland and Italy in the Executive Committee.

An estimated 2 billion poor people, corresponding to almost 40% of the world's working age adults, are excluded from formal financial services. Financial inclusion is considered as one of the most important factors to mitigate poverty as it can empower poor people, reduce their vulnerability to unexpected economic and social shock, and enable them to graduate into the formal economy through income generating activities, access to education, access to health care and better housing.

CGAP is a global partnership of organisations that seek to advance financial inclusion for the poor. CGAP's mission is to promote the lives of poor people through the promotion of responsible, sustainable and affordable financial markets.

CGAP is preparing a new 5-years strategy covering the period 2018/19 – 2022/23. The Danish commitment will be allocated as core funding to CGAP in support of the implementation of the strategy.

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Abbreviations

CGAP	Consultative Group to Assist the Poor
DFI	Development Finance Institutions
Excom	The executive committee of CGAP
DKK	Danish Kroner
KFU	Technical and Quality Support department of the Ministry of Foreign Affairs
MFI	Microfinance Institutions
MoFO	Ministry of Foreign Affairs of Denmark
MSME	Micro, Small and Medium Enterprises
M&E	Monitoring and Evaluation
VBE	Growth and Employment department of the Ministry of Foreign Affairs
UNGP	United Nations Guiding Principles on Human Rights and Business
USD	United State dollar

Exchange rates	
1 USD	DKK 6.25
1 DKK	USD 0.17

1 Introduction

This Project Document presents the rationale and justification, the objectives and expected outcomes and impact as well as the management arrangements for the allocation of DKK 20 million for the Consultative Group to Assist the Poor (CGAP), which is included in the 2018 Finance Act. CGAP is a global think tank and donor consortium established in 1995 to address financial inclusion.¹ The Danish commitment will be provided as core funding and contribute to the financing of CGAP's next 5-years strategic plan (CGAP VI) covering the period 2018/19 – 2022/23.

An estimated 2 billion poor adult people, almost 40% of the world's working age adults, are excluded from formal financial services. Without access to formal financial services poor people become extremely vulnerable to unexpected economic and social shock, and it makes them dependent of informal financial services which is often insufficient, unreliable and very expensive. The majority of the 2 billion adult people excluded from formal financial services comprises rural poor, particularly smallholders, women and youth. In addition to poor people the majority of micro- and small enterprises in developing countries are excluded from formal financial services, and their abilities to invest and growth are therefore severely constraint.

Significant financial inclusion progress has been made during the last 5 - 10 years. It is estimated, that the number of new accounts grew by 500 million between 2011 and 2014, and this fast development has most likely continued since then. Technology and digitalisation have had a profound impact on financial inclusion, and the ongoing development and disaggregation of the financial sector value chain is expected to continue providing many more types of financial service actors and products. Global and national policy makers and regulators are also increasingly acknowledging the importance of financial inclusion. A number of developing countries have now ambitious targets aiming to ensure that all citizens have access to formal and well regulated financial services that are relevant, accessible and affordable.

However, in spite of promising results, major challenges still remain. Progress has been very uneven, and a number of countries in Africa, the Middle East and Asia still suffer from a financial inclusion rate below 20%. Another challenge is that a significant percentage of bank accounts and financial products are underused or dormant because they are inadequately adapted to the needs of the poor. Poor people do not get financial services that are tailored to their needs, and the financial services providers do not get the solid business case that allow them to scale up. Financial services providers will therefore need to continuously refine their business models in ways that reach both scale and depth penetration.

CGAP's mission is to improve the lives of poor people by catalysing innovations and advancing knowledge and solutions that promote responsible, sustainable, and inclusive financial markets. This is done through practical research and active cooperation with financial services providers, policy providers, regulators, founders, civil society organisations and representatives of the poor. CGAP's principal activities can be grouped into the following categories: 1) clients and products; 2) technology and business model innovation; 3) policy

¹ Financial inclusion means that individuals and businesses have access to useful and affordable products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.

development and regulation; 4) donor and investor capacity development and 5) information and knowledge sharing. CGAP has estimated that the principal donors and DFIs have a total financial inclusion project portfolio of about USD 20 billion.²

2 Brief summary of issues to be addressed and institutional context

2.1 Issues to be addressed

Financial inclusion is considered as one of the most important factors to mitigate poverty as it can reduce poor people's vulnerability to unexpected economic and social shock, reduce time and costs of financial transactions, and enable them to graduate into the formal economy through income generating activities, access to education and health care, access to better housing etc. Financial inclusion has also proved to be an important factor to empower poor and excluded groups, and not least women and youth. However, financial inclusion is not only a question about poverty reduction and empowerment to improve the life of poor people, it is just as much a question about integrating huge human resources into societies to the benefit for everyone. Financial inclusion is cross cutting and generates broad economic and social development effects, and in addition to poverty reduction financial inclusion has proved to have direct and important impact on e.g. food security (SDG2), health (SDG 3), education (SDG 4), gender equality (SDG 5), affordable clean energy (SDG 7), economic growth (SDG 8).

Financial inclusion is to an increasing extent a sustainable and cost efficient way to address poverty, and the financial inclusion sectors is to a large extent operated and driven by private sector stakeholders. The sector will be able to expand further if the required policies and regulatory framework, business models, technologies and client knowledge is available, and donors can in this respect play an important role in promoting the development of a better enabling environment for the financial inclusion industry.

Improved financial inclusion require involvement of all main stakeholders as indicated below:

The **poor people** will need to adapt their use of financial services, due to a number of factors (displacement, migration, climate change, urbanisation, technology developments etc.) which positively and negatively will affect their lives. Financial services are to an increasing extent integrated into a range of new digital transfer and payment systems for access to water, electricity, health care, education, insurances, pension schemes etc. The financial digitalisation process is obviously an opportunity for many poor people, but there is a huge risk that certain excluded groups, in particular women, will be left further behind in the digitalisation process. Poor people may also to an increasing extent be exposed to inadequate consumer protection, and possible criminal acts due to inadequate regulation of new digital financial services is to an increasing extent a serious threat to citizens.

The **providers** will need to better adapt their business models and financial services to the needs of the poor people, the new digital technologies and a more complex market structure that does not only comprise banks, microfinance institutions (MFI) and cooperatives, but also mobile network operators, payments services providers, financial technology companies (FinTechs) etc. Certain markets may be dominated or monopolised by few mobile platform and

² Source: CGAP founder survey, 2015

data providers which could challenge an adequate development of the financial inclusion sector.

Governments and regulators will need to adapt to the fast and significant changes in the development of digital ecosystems requiring new policies and regulations to promote the opportunities and use of these systems, protect the stability of the financial systems, and ensure competition and consumer protection. Regulators in many developing countries have inadequate capacity to conduct the required regulation in relation to the fast digital developments and that leaves, in particular, consumers and small companies very vulnerable.

Donors and development actors will also have to adapt to the increasingly complex and fast changing landscape with new technologies and services, new providers and roles, new development finance modalities etc. In this respect CGAP is an important body for donors in terms of research, development, policy dialogue and standard setting, exchange of information etc.

2.2 Institutional context - CGAP

CGAP is developing a new 5-year strategic plan (CGAP VI) addressing the main opportunities and challenges of the financial inclusion agenda, and donors have already endorsed the draft strategic plan which is expected to be finally approved at CGAP's annual meeting in May 2018. CGAP has for the last 20 years played a leading role in strengthening the financial inclusion agenda in relation to governments, financial regulators, private sector stakeholders and donors, and there is a strong need to maintain CGAP's unique position as promoter and coordinator of the financial inclusion agenda.

CGAP is a well performing donor consortium, and it is supported by about 30 bilateral, multilateral and private donors. CGAP's annual budget has in recent years averaged around USD 25 million. The member contribution during the current 5-year strategy is included in Annex 2. Most donors provide core funding only, but a few donors provide additional earmarked funding for specific project activities. CGAP is housed at the World Bank in Washington, and it has also a minor office at the World Bank in Paris. Denmark has been a member of CGAP since 1995. The Danish support has been provided as core funding through 7 commitments totalling DKK 56 million.

2.2 CGAP achievements

CGAP's has since its establishment made significant contributions to sustainable financial inclusion and the livelihood of poor people. The achievements include numerous examples within the various thematic priority areas at national and/or global level where CGAP's efforts have promoted notable results and developments in relation to financial inclusion. The below examples indicate the type of results that have been achieved:

Clients and products – creating customer value: Successful financial inclusion requires insight into poor people's real needs and capabilities to ensure that financial service providers are developing products that are adapted to the clients real need. CGAP has therefore conducted research and cooperated with financial service providers in a large number of countries in order to promote the development of financial products and business models that create more value for the customers. As an example an insurance company in Philippines

worked two years with CGAP to develop methodologies to better understand and address the needs and wishes of low-income customers, and the company, which has 10 million micro insurance clients, has subsequently adopted a customer centricity approach throughout the organisation. The company has subsequently improved its revenues by nearly 100%.

Enabling business models: CGAP has during the last decade worked closely with the microfinance industry to develop financial solutions that are relevant for poor people and that can be scaled through digital payments. CGAP has established a solid foundation of early research and piloting projects globally and in a number of specific countries. Focus has been on exploring opportunities on open platforms, improved delivery models, improved understandings of customer value, and using digital finance to expand access to other basic services like energy and clean water. CGAP has e.g. been involved in the development of some of the digital platforms that have been linked to the M-pesa system (East African money transfer system). CGAP's work with the industry has generated very promising results and developments.

Policy development and regulation: CGAP has successfully worked with local policy makers and regulators in a large number of countries in order to promote regulatory reforms in relation to financial inclusion. In 2011 CGAP initiated a collaboration with Bank of Ghana in relation to drafting a new regulatory framework, and it initiated discussions between banks and mobile network operators in relation to the regulations. New e-money regulations and guidelines were issued in 2015, and these are highly appreciated by the industry including banks and mobile network operators. The results have been significant. In 2017, 58% of adults in Ghana have access to a financial account compared with 29% in 2011, and in 2016 there were an estimated 7 million mobile money accounts compared with only 100,000 in 2011.

Information and knowledge sharing: CGAP has conducted very effective information and knowledge sharing with founders and industry stakeholders. The founders/donors have benefited from numerous of thematic fora, training programs etc. in order to improve, coordinate and mainstream financial inclusion support. CGAP has e.g. successfully proven through a decade of experimentation that a specific approach "Graduating the Extreme Poor into Sustainable Livelihoods" is one of the most effective ways of supporting the poorest families transition out of poverty. There are now more than 100 graduation programs in nearly 50 countries and significant focus is on scaling the approach. CGAP has handed over the graduation programme to a specific foundation hosted by World Bank, and this foundation will work with governments to help them to implement and scale-up. It is also envisaged, that the developed graduation approach will be applied in relation to other vulnerable segments including youth and refugees.

3 Strategic considerations and justification

3.1 Justification

Relevance: The new commitment is fully in line with Denmark's strategy for development cooperation (The World 2030) as well as international development policies which emphasises the importance of combatting poverty and fragility, promote inclusive and sustainable development, promote TechVelopment and generate opportunities and jobs for people – especially women and youth. The support to CGAP addresses all four strategic aims of

Denmark's development policy: a) financial inclusion contributes to stability, protection and increased resilience for poor people; b) financial inclusion has proved to be an important instrument to address forced and economic migration; c) financial inclusion is an important instrument to address inclusive and sustainable growth and in particular lifting poor people from the informal economy into the formal economy, and d) financial inclusion is an effective instrument to address gender equality and empower women.

Poor people without access to financial services are extremely vulnerable and to a large extent excluded from societal opportunities and services, and their societal isolation is at the same time a huge loss of human capital. Access to financial services can mitigate poor peoples' vulnerability, and generate basic resilience that enable them to better manage their livelihood and family life. Affordable, easily accessible and responsible financial services, adapted to the specific needs of the poor, are in this respect important. Financial services are not only a question about poor people's saving and access to credit, but just as much a question of access to affordable insurances and a multiple number of smart payment systems for electricity, water, education, health etc. which can save time and resources in their daily lives.

CGAP is well positioned to address many of the emerging challenges for poor people using financial services. CGAP plays a unique role as a donor coordination mechanism in relation to the financial inclusion agenda, providing an important platform for information, dialogue and actions in relation to this agenda. There are also possible synergies to Danish business instruments. IFU is to an increasing extent investing in the microfinance sector, and CGAP has e.g. initiated a research cooperation with a Danish company that has invested in coco in Central America and where IFU is co-investor.

Efficiency: CGAP is internationally recognised for its expertise, performance and results. CGAP's position and capacity gives it direct access to key decision makers in governments, regulatory bodies, business and founders in order to find solutions and bring them to scale. The mid-term evaluation of CGAP V (March 2017) concluded, that CGAP in general has delivered the planned Outputs very efficiently in terms of both time and budget.

Effectiveness and sustainability: CGAP has generally been able to achieving its objectives as outlined in its strategic plans, and CGAP's high-quality outputs, credibility, reputation and convening power have, according to the latest mid-term evaluation, all been important factors.

3.2 Strategic consideration

Choice of CGAP as partner: CGAP is an ideal partner for MoFA in relation to the financial inclusion agenda. It is a leading think tank and donor consortium, supported by almost all bilateral and multilateral donors as well as some of the major private donors, and it has through its global access to key decision makers within governments, regulatory bodies, service providers, donors and civil society organisations a very strong impact on the financial inclusion agenda. CGAP maintains a very close dialogue with its members.

Poverty orientation: Financial inclusion is a fundamental tool to combat poverty, but much more need to be done to reach the large segments of poor people that are currently excluded from financial services and thereby stuck in poverty and vulnerability. CGAP mission has always been to improve the lives of poor people through the promotion of relevant, affordable and

responsible financial systems, and CGAP is in a good position to continuously promote this agenda.

Financial inclusion of women: Financial inclusion has proved to be a powerful instrument to address gender inequality and women empowerment. According to CGAP one out of three women in the world are excluded from formal financial systems. The financial exclusion of women is significantly higher than for men, particularly among poor people where the probability that women have a bank account is close to 30% lower than for men. There are several reasons for that including cultural and social norms, inadequate education, inadequate access to digital financial services etc. It is important to keep international focus on the challenges of financial inclusion of women, and CGAP is committed and able to promote this agenda.

Linkage between the financial inclusion and the MSME finance agenda: During the last decade donors have increasingly directed their financial services support towards the MSME sector in order to promote growth and employment opportunities. This is relevant and understandable due to the importance of the MSME sector to stimulate economic and social development. However, it appears that the MSME focus to some extent has disfavoured support to financial services for poor and excluded people. It is important to also focus on the 2 billion people that currently are excluded from financial services. Their financial inclusion can be a huge economic and social benefit for societies.

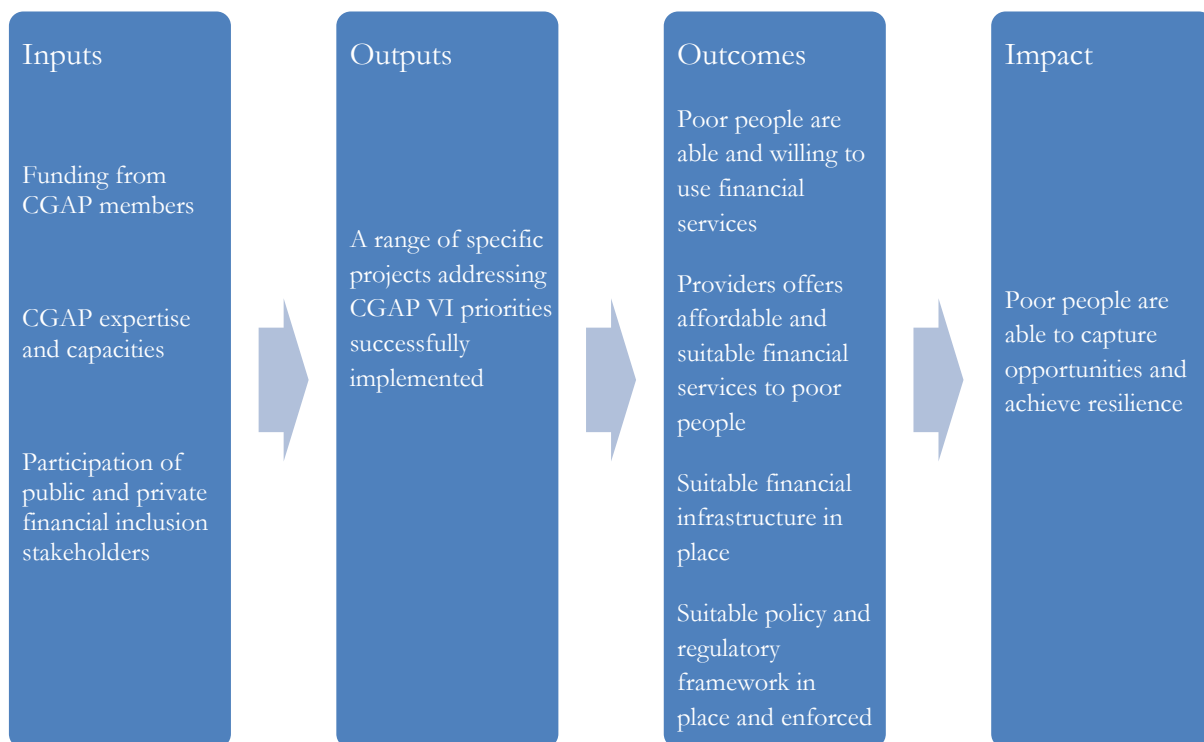
Alignment of commitment to CGAP's 5-years strategy: The previous Danish commitments to CGAP have had a duration of max three years, and therefore not been optimally aligned to CGAP's 5-year strategies. Most other donors are also providing commitments of less than 5 years, and that complicates CGAP's budget planning. The Danish commitment to CGAP VI will have a five year duration in order to address this issue, and this is highly appreciated by CGAP.

Responsible business conduct: Financial inclusion is closely linked to human rights and responsible business conduct. The agenda is fully integrated into CGAP's work, but it is important that policy makers and regulatory authorities are really committed to ensure that everyone get access to financial services, and to ensure that adequate consumer protection regulations and enforcement procedures are in place. The financial inclusion industry need to continue efforts to include sustainability factors in their procedures for measurement of success.

Exit considerations: There are clear indications, that all the members will continue to support CGAP. However, with the financing of CGAP VI, Denmark, as well as most other donors, have committed support to CGAP for 25 years, and CGAP's future status and the rationale for support beyond CGAP VI is likely to be subject for discussions with CGAP.

4 Theory of change and key assumptions

The Theory of Change is summarised below, and CGAP's Theory of Change is attached as annex 5. The Theory of Change is designed to be an anchor of CGAP's work, but it is not static. It will be updated as CGAP's experience and knowledge evolve through the implementation of the strategic plan. The indicated impact is generated by the entire financial inclusion sector, whereas CGAP can be held accountable for the stated outcomes which CGAP believes will contribute to the stated impact.



The main assumptions are that CGAP will be able to mobilise the required capital for the implementation of CGAP VI, and that it will be able to maintain its strong reputation and easy access to key stakeholders including policy makers, regulators, leading service providers etc.

5 Project objective and summary of results frame

The MoFA commitment will support CGAP's overall objective to:

Advance financial inclusion to improve the lives of poor people

The immediate objective of the support is to:

Contribute to the financing and implementation of CGAP's new 5-years strategy, 2018/19 – 2022/23, to expand and deepen financial inclusion of the poor.

The new commitment to CGAP will first of all support SDG 1 (no poverty). However, financial inclusion generates much broader development impact, and financial inclusion has proved to have direct impact on food security, health, education, gender equality, economic growth, climate etc.

The commitment will contribute to the financing and implementation of the CGAP's next 5-year strategy comprising four interconnected priorities, respectively: i) creating customer value; ii) emerging business models; iii) enabling infrastructure; iv) next generation policy.

Creating customer value: Many financial services are underutilised. Real value is generated when poor people are able and willing to use financial services. This requires better insight into the real needs and capabilities of poor people, and financial products which should be tailored to these needs and conditions. CGAP will in this respect conduct research to better understand

the needs and conditions of the main excluded segments, and CGAP will also investigate how the availability of suitable financial services can be enhanced and how the willingness to use them can be improved.

Emerging business models: Digitalisation is enabling completely new business models with significant potentials to reach poorer segments with better financial solutions. Improved business models are strongly needed to promote both scale and depth of penetration. Improved availability of open and low cost digital payments platforms provides one of the most promising opportunities, and CGAP will in this respect explore way to promote the availability of such platforms that facilitates the launch of a variety of cheap and relevant third party services. This requires close cooperation between the players in the financial payment systems including mobile network operators, banks and third party payments providers as well as research and civil society organisations.

Enabling infrastructure: Market infrastructure including public or private operated credit bureaus, collateral registries, rating agencies and payment systems has for many years played an important role in the delivery of financial services, but the development of digital ecosystems is fundamentally changing financial infrastructure opportunities and costs. CGAP will not build infrastructure itself. Instead it will support the development of technology based market infrastructure through surveys, knowledge sharing, pilot testing, and the development of tools and standards.

Next generation policy: The new technology-driven financial services providers create new challenges for policy makers and regulators who have to develop policies and regulations that can promote and support the new opportunities, while at the same time ensuring that regulation and supervision protect consumers as well as the stability and integrity of the wider financial sector. CGAP will in this respect support selected governments, regulators and supervisor to develop or adapt their policies, regulations and systems to the new financial services ecosystem.

The four priority areas of the strategy will be implemented through 11 work streams including two cross-cutting work streams. All work streams have initial durations of 2 to 3 years and are designed to deliver clear project outcomes. However, flexibility is incorporated to allow possible adaptation to changing market conditions, and work streams may therefore be extended, discontinued and new introduced as funding permits. The results framework for the 11 work streams is attached as annex 4.

6 Inputs/budget

The overall budget of CGAP VI is estimated at USD 131 million with the estimated annual budget increasing from USD 22 million in 2018/19 to USD 31 million in 2022/23. All members have to provide core funding on an annual basis, and members can in addition provide earmarked funding.

CGAP VI - Scenario 1 - Base case

US\$M	FY19	FY20	FY21	FY22	FY23	Total
Salaries and Benefits	14.0	14.5	14.5	14.5	15.0	72.5
Other Fixed Costs	0.3	0.3	0.4	0.4	0.6	2.0
Consultant Fees	3.3	4.0	5.0	6.0	6.5	24.8
Consulting Companies	2.0	2.5	3.2	4.1	5.4	17.2
Travel Expenses	2.2	2.4	2.6	2.7	3.0	12.9
Other Operating Expenses	0.2	0.3	0.3	0.3	0.5	1.6
Total Expenses	22.0	24.0	26.0	28.0	31.0	131.0

The budget is based on the members actual contributions and indications for future commitments and will gradually be updated. CGAP has also prepared a low budget scenario of USD 110 million and a high budget scenario of USD 137 million.

Staff costs is the largest component of CGAP's budget (about 55% of total costs) and also the most difficult to change. CGAP therefore intends to keep the staff level below 55 during CGAP VI. The second biggest cost component is consultancy services (32% of total costs).

The new Danish commitment of DKK 20 million (about USD 3.2 million) will be provided as core funding. The commitment corresponds to about 2.5% the CGAP VI base budget, which is at the same level as most other donors. The CGAP has requested Denmark to disburse a bigger share of the budget in 2018/19 because the need of funds is relatively bigger in the first years of implementation and Denmark failed to contribute in 2017/18. On that basis the Danish commitment is envisaged to be disbursed in 5 annual instalments as indicated below.

Expected annual disbursement to CGAP VI, (DKK million)				
2018/19	2019/20	2020/21	2021/22	2022/23
8.0	3.0	3.0	3.0	3.0

7 Institutional and management arrangements

CGAP's mission and governance structure is described in a CGAP charter, which was revised in 2014. CGAP's organisation comprises a Council of Governors (CG), an Executive Committee and an Operational Team. The CG is the highest governing body, and all member organisations are members of the CG. The CG meets once per year at the CGAP Annual Meeting. The CG approves CGAP's 5-year strategy, annual work plans and budgets, new CGAP members, revision of the charter etc.

CGAP's Executive Committee (board) advises and monitors CGAP's operational team, and it is the communication link between the CG members and the operational team. The Executive Committee has eleven members of which five represent the member constituencies, four are selected as individuals due to their technical knowledge and leadership, one represent the World Bank in its role as CGAP's administrative host, and the Chief Executive Officer of CGAP as ex-officio. The Executive Committee meets normally three times a year.

Five of the Executive Committee members are elected by five donor constituencies: two from bilateral donors, one from development finance institutions, one from foundations, and one

from multilateral organisations. Denmark is together with Norway, Sweden, Germany, Switzerland and Italy member of one of the two bilateral constituencies. Germany currently represents the group in the Executive Committee and reports back to the group on progress, performance etc.

CGAP's operational team is administratively hosted by the World Bank, meaning that they are staff of the World Bank. CGAP's has its headquarters at the World Bank's offices in Washington, and it also has an office at the World Bank's Paris office. The current number of staff is about 50.

8 Financial management, planning and reporting

The World Bank serves as financial administrator of funds provided to support CGAP activities. Members provide core funding to CGAP through administration agreements entered into between the World Bank and each CGAP member. The agreement to be signed between World Bank and CGAP is based on a standard trust fund contract model.

The CGAP accounts are managed by World Bank and audited by an independent auditor. Members provide core funding to CGAP through administration agreements entered into between the World Bank and each member. CGAP members may complement their core funding with earmarked funding.

CGAP prepares annual reports on progress and performance. CGAP's work is further documented in a number of reports and technical papers which are disseminated through web-page, social medias etc. CGAP's results framework for the strategic period, ref. annex 4, will guide Denmark's and the other donors monitoring of the core funding.

A mid-term review of the performance and progress of CGAP VI will be conducted by external consultants.

9 Risk management

There are several risks related to the effective implementation of CGAP's five-year strategy. These risks are mainly of a contextual and programmatic character. A major risk is that financial inclusion is cross sectoral, and not clearly aligned to the global development agenda. Financial inclusion may therefore disappear under other sector recordings including SME finance, agricultural finance, energy, food security etc. Another development agenda risk is that of financial inclusion being driven by numbers, such as number of accounts, whereas numerous studies have documented that quantitative figures do not capture the real benefits for poor people. There are also a number of risks related to the private sector and the market systems. These risks includes e.g. possible negative effects of companies dominating the market, massive data breach or hacking of national systems and accounts. CGAP is very aware of these risks. A risk matrix is presented in Annex 5.

Annex 1 Context Analysis

1. Overall development challenges, opportunities and risks

Briefly summarise the key conclusions from the analyses consulted and their implications for the programme regarding each of the following points:

- An estimated 2 billion poor adult people, representing about 40% of the world's working age adults, are excluded from formal financial services in the form of a savings or credit account with a formal financial institutions.
- Without access to formal financial services, poor people become extremely vulnerable to unexpected economic and social shock in their daily life.
- Significant financial inclusion progress has been made during the last 5-10 years, partly because a large number of developing countries have made commitments to financial inclusion, and partly due to the profound impact that technology and digitalisation has had on the financial sector including mobile banking.
- However, in spite of promising results major challenges still remain. Progress has e.g. been very uneven, and a number of countries still suffers from very low financial inclusion rates. Another challenge is that a significant percentage of bank accounts and financial inclusion products are underused or dormant, because they are inadequately adapted to the needs of the poor.

List the key documentation and sources used for the analysis:

The issues are addressed in a number of documents from various sources including:

- A large number of documents prepared by CGAP, the World Bank Group, donors and international organisations, MFIs etc.

Are additional studies / analytic work needed? How and when will it be done?

There is no need to conduct additional contextual studies or analyses.

2. Fragility, conflict, migration and resilience

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

- The proposed support is closely linked to fragility, conflict, migration and resilience. Poor people without access to formal financial services are extremely vulnerable and often exposed to external shocks including natural disasters, conflicts, instability etc.

List the key documentation and sources used for the analysis:

- A large number of documents prepared by CGAP, the World Bank Group, donors and international organisations, MFI, NGOs etc.

-

Are additional studies / analytic work needed? How and when will it be done?

Not needed

3. Assessment of human rights situation (HRBA) and gender³

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

Human Right Standards (international, regional and national legislation)

- Financial inclusion is closely linked to the human rights, integrity and responsible business conduct agenda, and the agenda is fully integrated into CGAP's work. In this respect it is important that policy makers and regulatory authorities are committed to ensure that everyone get access to financial services, and ensure that adequate consumer protection regulations and enforcement procedures are in place. An increasing number of countries are developing national plans for financial inclusion

Universal Periodic Review

- A mid-term review of the performance and progress of CGAP VI will be conducted by external consultants on behalf of the founders of CGAP.
- The donors will through the Executive Committee and Annual Meeting keep the sustainability and human rights issues on the agenda and ensure that CGAP continuously addresses these issues satisfactory.

³ The purpose of the analysis is to facilitate and strengthen the application of the Human Rights Based Approach, and integrate gender in Danish development cooperation. The analysis should identify the main human rights issues in respect of social and economic rights, cultural rights, and civil and political rights. Gender is an integral part of all three categories.

Identify key rights holders in the programme
Identify key duty bearers in the programme
Human Rights Principles <ul style="list-style-type: none"> - In addition to policy and regulatory issues the financial services stakeholders need to improve their standards and code of conduct.
Gender <ul style="list-style-type: none"> - Women constitute a very significant part of the poor people that are excluded from financial services, and CGAP has always had strong focus on how to strengthen poor women's access to relevant and affordable financial services
Youth <ul style="list-style-type: none"> - The same apply as for gender
<i>List the key documentation and sources used for the analysis:</i>
<ul style="list-style-type: none"> - Numerous of documents prepared by CGAP, donors, micro finance institutions etc.
<i>Are additional studies / analytic work needed? How and when will it be done?</i>
No

4. Inclusive sustainable growth, climate change and environment
<i>Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:</i>
<ul style="list-style-type: none"> - GCAP as well as the entire financial inclusion industry, play an important role in relation to the sustainability agenda. Financial inclusion and financial responsibility are important in relation to the sustainability and climate agenda. The financial inclusion industry is to an increasing extent adding environmental impact, climate impact and sustainable growth to the factors considered as measures of success. However, much more need to be done to strengthen all stakeholders involvement.
<i>List the key documentation and sources used for the analysis:</i>
Numerous of documents prepared by CGAP, donors, micro finance institutions etc.

If this initial assessment shows that further work will be needed during the formulation phase, please list how and when will it be done?

N/A

5. Capacity of public sector, public financial management and corruption

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

- Continuous capacity building of policy makers and financial sector regulators is very important to promote financial inclusion and ensure consumer protection. CGAP is well positioned to promote this type of specialised high level capacity building.

List the key documentation and sources used for the analysis:

- N/A

Are additional studies / analytic work needed? How and when will it be done?

- No

6. Matching with Danish strengths and interests, engaging Danish actors, seeking synergy

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

- CGAP is a think tank and donor consortium. It conduct research and field surveys in cooperation with stakeholders, but it is not involved in investments and implementation of investment projects. CGAP use to some extent specialised consultancy services.
- The prospects of directly involving Danish actors is therefore limited, but CGAP can have an important indirect role for Danish stakeholders (Danida, IFU, NGOs, consultancy companies etc.) working with financial inclusion. CGAP is currently cooperating with a Danish, and IFU supported, company in Central America

List the key documentation and sources used for the analysis:

- N/A

Are additional studies / analytic work needed? How and when will it be done?

- No

7. Stakeholder analysis

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

The key stakeholders in relation to CGAP are:

- Donors (CGAP members), representatives from poor and excluded segments, financial sector policy makers and regulators, financial inclusion service providers including mobile network providers, microfinance institutions, civil society organisations etc.

List the key documentation and sources used for the analysis:

- N/A

Are additional studies / analytic work needed? How and when will it be done?

- No

Annex 2 Information on CGAP

1. Summary of stakeholder analysis

No additional stakeholder analyses have been conducted due to the fact that CGAP is a well-established organisation and no major changes in the current business activities are foreseen.

2. Criteria for selecting programme partners

N/A, ref. above.

3. Brief presentation of partners

The current key stakeholders are:

- CGAP members comprising 30 bilateral, multilateral and private donors (currently 15 bilateral, 8 multilateral and 7 private donors);
- Development banks and DFIs;
- Policy makers and regulators responsible for financial inclusion in developing countries
- Financial services providers including financial institutions, insurance companies, mobile network providers, FinTech companies, NGOs,
- Poor people in need of relevant, accessible and affordable financial services, including smallholders, women, youth, refugees and other excluded segments

CGAP
Member Contributions

In US dollars ('000)

updated as of May 3, 2018

	FY2014	FY2015	FY2016	FY2017	FY2018
Details: Core Contributions					
African Development Bank	120	-	100	100	100
Australia	927	848	738	380	-
Bill & Melinda Gates Foundation	6,500	4,000	4,882	5,500	3,500
Canada	273	227	227	227	391
Citi Foundation	250	250	250	250	250
Denmark	613	654	425	429	-
European Commission	-	565	2,844	-	3,555
European Investment Bank	272	227	224	212	248
France / AFD	520	488	477	477	477
Germany	544	-	559	703	434
IADB / MIF	100	100	-	50	-
IFAD	500	500	500	-	450
IFC	450	-	-	-	-
Italy					356
Japan	300	300	300	300	300
Luxembourg	541	337	453	435	400
The MasterCard Foundation	1,000	1,000	1,000	1,000	1,000
MetLife Foundation	167	167	167	175	175
Michael & Susan Dell Foundation	100	175	-	350	-
Netherlands	1,000	1,000	1,000	1,000	1,000
Norway	340	340	288	293	298
Omidyar Network	-	-	600	300	300
South Korea					200
Sweden	978	978	706	706	712
Switzerland	330	265	261	257	265
UNCDF	125	-	200	-	-
United Kingdom	-	1,574	1,526	1,224	1,307
United States	400	-	1,400	700	250
World Bank	1,600	1,600	-	-	-
Subtotal Core Contributions	18,244	15,793	19,128	15,067	15,967
Details: Designated Contributions					
Australia (G20 GPFI)	200	-	-	-	-
Bill & Melinda Gates Foundation (Interop/APIs)	-	-	-	3,818	3,192
Bill & Melinda Gates Foundation (Bangladesh)			750		
Citi Foundation (Asia Reg Capacity)			340		250
Germany / GIZ	134	-	437	-	-
The MasterCard Foundation (Graduation EFO)	-	-	100	-	-
The MasterCard Foundation	2,391	-	1,836	4,191	1,658
The MasterCard Foundation (Gateway Academy)		2,651	1,420	2,777	1,558
Switzerland / SECO (Ghana DFS)			80	470	631
United Kingdom (HIFI)	-	1,488	2,553	1,891	2,180
United Kingdom (Tech Program & EFO)	2,136	966	-	-	-
Germany / BMZ GPFI.org	-	-	-	-	183
MetLife Foundation (Arab World)					
Subtotal Designated Contributions	4,860	5,104	7,517	13,146	9,652
Total	23,104	20,898	26,645	28,214	25,619

Notes:

Contributions with signed administrative agreement but not yet received are italicized and bolded.

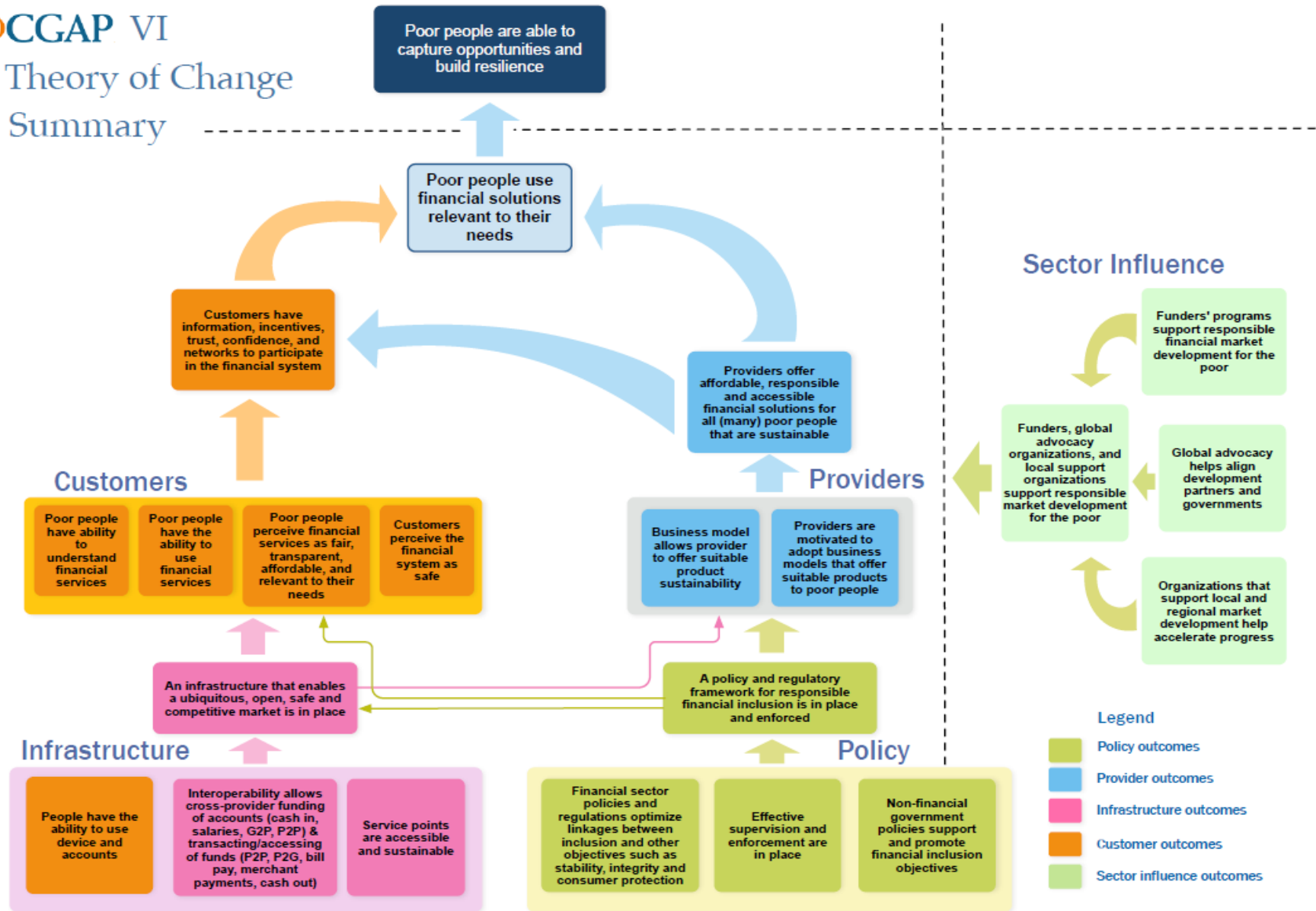
Contributions received are shaded and bolded.

Contributions in "red" are assumed pledge based on historical trend or current discussions.

Annex 3 CGAP's Theory of Change



Theory of Change Summary



Annex A: Draft Results Framework CGAP VI

Theory of Change Industry Outcome

	Outcome	Indicator #		Baseline	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
				Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23
Customer Pathway	A.1 Poor people perceive financial services as fair, transparent, affordable and relevant to their needs ¹	A.1.1: Percentage of adults in lower and middle-income countries reporting cost as a barrier for having an account in a financial institution	Projection				21%		*
			Achieved	26.3%			tbd		
			Sources: The World Bank Groups' Global Findex Database *2. This is based on interviews with over 150,000 adults in 140 countries.						
		A.1.2: Number of rural adults in developing countries who made or received a digital payment in the last 12 months	Projection				55%		*
			Achieved	41%					
			Sources: Global Findex						
		A.1.3: Gender gap in usage among adults in developing countries of digital payments in past year	Projection				6 pct. pts		*
			Achieved	9 pct. pts					
			Sources: Global Findex						
Provider Pathway	B.1 BOP business models ³ offer sustainable and adequate returns for providers and their investors	B.1.1: Percentage Off-Grid Solar companies with positive profit margin ⁴	Projection				40%		50%
			Achieved	35%			tbd		tbd
			Sources: Lighting Global Off-Grid Solar Market Trends Report (Annual) .						
		B.1.2: Number of developing countries where non-traditional players ⁵ offer or facilitate access to digital financial services	Projection		Establish Baseline		5 over baseline		10 over baseline
			Achieved		tbd		tbd		tbd
			Sources: CGAP tracking sheet based on press releases, public information.						
		B.1.3: Percentage of DFS providers whose activity rate is above 50% ⁶	Projection				25%		30%
			Achieved	20.4%			tbd		tbd
			Sources: GSMA State of the Annual Industry Report on Mobile Money.						

¹ The indicators serve as proxies as it's difficult to capture fairness, transparency, affordability and relevance in indicators. Our assumption is that usage represents some value.

² * The World Bank Groups' Global Findex Database. This is based on interviews with over 150,000 adults in 140 countries. As the Global Findex is being done every 3 years (2018, 2021, 2024) we will not be able to get the 2024 data within the lifetime of CGAP VI. Therefore, the Results Framework only include 2021 targets.

³ Current global data sources do not allow CGAP to capture BOP focused business models however organizations such as the MIX in partnership with GOGILA are beginning to explore developing relevant datasets. In the future we may be able to reflect that in the Results Framework.

⁴ Focused on Off Grid Solar market at this time. CGAP may add indicators for other businesses as FI4D solutions in other sectors are validated.

⁵ "Non-traditional players" include 1) "BigTechs" which are Internet platforms that offer social networking, instant messaging, search engine, app stores, and/or e-commerce services; 2) "NeoBanks", who are providers who operate primarily over the internet offering own or third party financial services to customers; and 3) traditional FSPs (such as Banks, MFIs, MNOs) adopting a fully digital model, that enable them to offer financial services without physical interaction.

⁶ Indicator represents the percentage of digital financial services providers who participate in the GSMA industry survey whose percentage of active users is above 50%. Active users are those that have conducted one or more transactions in the last 90 days

	Outcome	Indicator #		Baseline	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
				Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23
Infrastructure Pathway	C.1 FSP providers and broader ecosystem actors are connected within and across markets	C.1.1: Number of times a single unit of currency is transacted via mobile money before being cashed out (global average digital circulation value) ⁷	Projection				2.00		2.16
			Achieved	1.60			tbd		tbd
			Sources: GSMA State of the Annual Industry Report on Mobile Money. It is primarily based on data from GSMA's Annual Global Adoption Surveys but also pools industry data from publicly available data from operator and regulator reports and other sources.						
		C.1.2: Percentage of adults living in a developing country who made or received a payment in the past 12 months using a digital method	Projection				60%		*
			Achieved	44%			tbd		
			Sources:						
Policy Pathway	D.1. Policy makers leverage the synergies between financial inclusion policies and policies in other sectors to achieve better outcomes in both	D.1.1: Percentage of global funding flows committed to financial inclusion through programs whose primary development goal is outside the financial sector (e.g., water, sanitation, energy) ⁸	Projection				13%		18%
			Achieved	11%			tbd		tbd
			Sources: CGAP's annual Cross-Border Funder Survey						
	D.2 Regulators and supervisors have implemented and supervisors enforce basic enablers to promote responsible financial inclusion	D.2.1: Percentage of developing country regulators and supervisors surveyed that have implemented basic enablers to promote responsible financial inclusion	Projection	a) 57.3% b) 77.2% c) 54.3% d) 78.3%					a) 67% b) 84% c) 65% d) 85%
			Achieved	tbd					tbd
			Sources: World Bank's Global Financial Inclusion and Consumer Protection Survey. Note: There are four basic enablers: a) non-bank e-money issuance b) use of agents c) risk-based customer due diligence d) consumer protection						
	D.3. A functioning forum is in place that provides an effective means of sharing information and coordinating activities relevant to financial inclusion among SSBs and other relevant global bodies	D.3.1. Number of new SSB/other global bodies policy documents of substantial financial inclusion relevance that can be applied in EMDEs	Projection				20		
			Achieved				tbd		
			Sources: Data will be collected from CGAP's advisory role for the forum. CGAP may also conduct interviews with forum secretariat and select SSB/other global body secretariat as needed.						
	E.1. Strong evidence base and positioning of financial inclusion to support the lives of the poor	E.1.1: Volume of donor commitments to financial inclusion remain high	Projection		>= \$37 b.	>= \$37 b.	>= \$37 b.	>= \$37 b.	>= \$37 b.
			Achieved	US\$37 billion (2016 data)	tbd	tbd	tbd	tbd	tbd
			Sources: CGAP's annual Cross-Border Funder Survey						

⁷ The digital circulation value measures how many times a single unit of currency is transacted before being cashed out of the mobile money ecosystem. This is a high-level indicator that demonstrates an increase in relevant digital use cases and is reflective of the ubiquity and strength of the Digital Rails in many markets. Based on the GSMA Global Adoption Survey there is evidence that higher digital usage rates are evidence of higher sustainability.

⁸ This indicator tracks the amount of funding that development agencies (global funders) put into programs that involve financial inclusion as part of programs that aim at advancing development in other sectors. We expect that these development programs reflect the local country policies and priorities.

1. Segments and Insights (3-year project)

Outcomes	Indicator #		Baseline	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
			Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23
1.0. Project Outcome with non-partners Funders and providers design their strategies and solutions that increase customer value and drive scale by embedding segment ⁹ insights into their work	1.0.1: Percentage of people at funder agencies who demonstrate that they apply a segment lens focusing on CGAP's four key client groups (e.g. women, youth, refugees, vulnerable rural households) in their work	Projection		Establish Baseline		30% over baseline		
		Achieved		tbd		tbd		
	Sources: Electronic survey of funders that explores their experience in a range of areas, including segment-based programming. (Joint survey with the Sector Support project)							
	1.0.2. Number of concrete examples where non-partner financial service providers deploy strategies and solutions with a segment lens ¹⁰	Projection				10		
		Achieved				tbd		
	Sources: Electronic survey of non-partner financial services providers leading up to the "final project-end" convening with follow-up interviews							
1.1. Project Outcome with partners: Partner providers reflect an understanding of key excluded segments and how to provide them with valued financial solutions	1.1.1. Number of examples of provider business cases that serve key segments of the financially excluded with high customer value ¹¹ and potential for scale	Projection		2	5	7		
		Achieved		tbd	tbd	tbd		
	Sources: CGAP Internal tracking document.							
	1.1.2 Number of concrete examples of gender mainstreaming in CGAP interventions with partners. ¹²	Projection		2	5	8		
		Achieved		tbd	tbd	tbd		
	Sources: CGAP Internal tracking document.							

⁹ A well-designed customer segment takes a range of variables into account, including demographics like gender, age, and location, as well as livelihood activities, behaviors, and preferences. Segments should be small enough to show distinction from the mass market, but large enough to offer a meaningful client base.

¹⁰ 'Concrete example' could include: changes to internal operations, product design practices, data-collection and monitoring methods and launching new products and solutions.

¹¹ 'High customer value' is focused on the protection, consumer needs and fair treatment of customers.

¹² 'Concrete example' would CGAP's work on the specific needs of women i.e. are women being considered in product design and delivery, data collection and analysis and/or interpretation and disseminations of results.

2. Customer Protection and Value (3-year project)

Outcomes	Indicator #		Baseline	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
			Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23
2.0. Project Outcome with non-partners: Regulators and financial service providers adopt sound consumer protection practices	2.0.1. Number of providers that are adopting sound consumer protection practices that are based on the CGAP customer outcomes framework	Projection				2		4
		Achieved	0			tbd		tbd
		Sources: Report summarizing conclusions from interviews with regulators that have been exposed to the framework indirectly by industry stakeholders (e.g. learning organizations or funders).						
	2.0.2 Number of non-partner regulators that adopted a customer protection approach based on the CGAP customer-outcomes framework	Projection				1		3
		Achieved	0			tbd		tbd
		Sources: CGAP stakeholder survey						
2.1. Project Outcome with partners: Partner regulators and providers collaboratively adopt elements of CGAP's customer-outcomes framework	2.1.1 Number of partner regulators and providers that adopt elements of CGAP's customer-outcomes framework	Projection			3	5		
		Achieved	0		tbd	tbd		
		Sources: Tracking document of the tested experimentations of partner providers and regulators by CGAP staff engaging with them.						

3. Evidence and Impact (2-year project)

Outcomes	Indicator #		Baseline	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
			Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23
3.0. Project Outcome with non-partners: Donors, support organizations and practitioners consider research and evidence on financial inclusion in their decisions and intend to apply the shared learning agenda to their programs	3.0.1: Number of donors with intention to fund research that is aligned with the shared learning agenda	Projection			6			
		Achieved	0		tbd			
		Sources: CGAP Funder survey related to funding of research. Followed-up by deep dive interviews with those who do fund research to identify alignment with the learning agenda						
3.1. Project Outcome with partners: Relevant stakeholders (donors, support organizations and practitioners, etc.) have reached consensus on a shared learning agenda around evidence on what works and how it works	3.1.1: Percentage of donors, support organizations and practitioners that endorse the shared learning agenda	Projection			50%			
		Achieved	0		tbd			
		Sources: Documentation of partners' endorsement of the shared learning agenda.						

4. Digital Business Models (2-year Project)

Outcomes ¹³	Indicator #		Baseline	Milestone1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
			Jul-18	Jul-19	Jul-20	Jul-21	Jul-18	Jul-18
4.0: Project Outcome with non-partners: Providers, regulators and funders are able to identify key opportunities, enablers, barriers and risks in emerging technologies and digital business models and how these may expand financial inclusion	4.0.1: Number of providers who have adopted elements of emerging digital business models to expand financial inclusion	Projection			2			10
		Achieved	0		tbd			tbd
		Sources: CGAP stakeholder survey						
	4.0.2: Number of regulators who take steps to enable responsible financial inclusion delivered through the new digital business models	Projection			2			5
		Achieved	0		tbd			tbd
		Sources: CGAP stakeholder survey						

5. Financial Innovation for Development (3-year project)

Outcomes	Indicator #		Baseline	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
			Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23
5.0. Project Outcome with non-partners: Donors, investors and providers increase their support of FI4D Solutions ¹⁴	5.0.1: Number of donors, investors and providers that effectively invest in or implement FI4D Solutions	Projection		5	10	25		
		Achieved	0	tbd	tbd	tbd		
		Sources: Electronic survey of a broad base of stakeholders, including providers, investors, donors, and policy influencers.						
5.1. Project Outcome with partners: Improved effectiveness of FI4D solutions.	5.1.1: Number of providers that cite at least one measurable improvement in sustainability, profitability or scale in their delivery of FI4D Solutions as a result of engagement with CGAP	Projection		4	8	12		
		Achieved	0	tbd	tbd	tbd		
		Sources: Electronic surveys with quantitative and qualitative questions, and follow-up conversations as necessary.						
5.2. Project Outcome with partners: Improved decision making of donors, investors and development agencies regarding FI4D solutions.	5.2.2: Number of donors and investors and development agencies who support or make 'improved investment decisions' ¹⁵ in providers of FI4D Solutions	Projection		5	10	25		
		Achieved		tbd	tbd	tbd		
		Sources: Electronic surveys with quantitative and qualitative questions, and follow-up conversations as necessary.						

¹³ "Project Outcomes with Partners" will be added in July 2019, after CGAP validates opportunities to be tested with partners.

¹⁴ "FI4D Solutions" means: innovative financial services solutions that effectively reach low-income households and support development outcomes beyond the financial sector (e.g. energy, education, water, agriculture).

¹⁵ Improved Investment Decisions" means: increasing investments into sound institution and markets, reducing investments where there is a risk of an asset bubble and structuring investments so they are better tailored to company/market profile or to provide better risk mitigation.

6. Digital Rails (3-year project)

Outcomes	Indicator #		Baseline	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
			Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23
6.0.1 Project Outcome with non-partners ¹⁶ : DFS providers have increased interoperability and openness of platforms	6.0.1: Number of interoperability arrangements that have adopted improved or new operating rules or business procedures to improve clarity and responsiveness for providers	Projection			1	3		
		Achieved	0		tbd	tbd		
	Sources: CGAP data collection via interviews with local market stakeholders involved in the development or operation of DFS interoperability. Interviewees may include scheme/switch managers, regulators, facilitators of processes to develop effective interoperability – including development partners, and industry scheme participants themselves.							
	6.0.2: Number of companies offering financial inclusion-related open APIs in developing countries	Projection		39	48	58		
		Achieved	29	tbd	tbd	tbd		
	Sources: https://cgap.apidashboard.io 'Companies offering open APIs' as captured on the CGAP Open API Dashboard (see indicator profile for details).							
6.1. Project Outcome with partners: Develop a set of agreed, standardized operating rules and business procedures for interoperable transactions between providers and across countries within East Africa.	6.1.1: A set of standardized operating rules and business procedures for interoperable transactions between providers and across countries within East Africa is agreed by at least 3 providers of digital financial services from at least 2 markets in the East Africa region	Projection			3 providers	5 providers		
		Achieved:			tbd	tbd		
		Sources: Rules document, including evidence of agreement by stakeholders. Rules document will be published and available in public domain under a Creative Commons license once developed. Evidence of participant agreement will be documented through email correspondence with scheme participants.						
6.2. Project Outcome with partners: Demonstrated cases of 3rd parties that are leveraging the assets or capabilities of DFS providers via open APIs to deliver their solutions to customers.	6.2.1: Number of third parties leveraging our DFS partner providers' open APIs to deliver their solutions to customers	Projection		3	6	25		
		Achieved		tbd	tbd	tbd		
		Sources: Documented email correspondence with partner FSPs.						

¹⁶ This project is mapped to three ToC Industry Outcomes: 'FSP providers and broader ecosystem actors are connected within and across markets'; 'Interoperability allows cross-provider funding of accounts (cash-in, salaries, G2P, P2P) & transacting/accessing the funds (P2G, P2G, bill pay, merchant payment, cash out)'; and 'Service points are accessible and sustainable'. Only the first ToC Industry Outcome will be measured in the Results Framework as there are significant cost implications associated with measuring the other two outcomes which isn't considered the best use of CGAP's resources. That said, Interoperability and open APIs will be measured in FY20 and FY21 as part of the Project Outcome (with non-partners). For the Distribution component of the Digital Rails project, CGAP will in FY19 develop a vision for extending reach and quality of distribution channels for poor people and a roadmap for how to achieve this. Following this work, CGAP will decide how best to be involved in Distribution and reflect this in future iterations of the Results Framework.

7. Digital Financial Services Regulation and Supervision (3-year project)

Outcomes	Indicator #		Baseline	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
			Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23
7.0. Project Outcome with non-partners: Regulators are better equipped to respond responsibly to innovation and supervisors are adopting sound approaches to enforce the basic DFS enablers	7.0.1. Number of countries that are better equipped to respond responsibly to three emerging priority areas ¹⁷	Projection		5	10	20		
		Achieved		tbd	tbd	tbd		
	Sources: CGAP managed tracking sheet of regulatory developments							
	7.0.2. Number of countries that are adopting sound approaches to supervise the basic DFS enablers	Projection		2	8	12		
		Achieved		tbd	tbd	tbd		
	Sources: CGAP managed tracking sheet of supervisory developments							
7.1. Project Outcome with partners: Development partners (incl. members), support organizations, global advocacy bodies, and capacity building institutions promote and support implementation of basic enablers in their work with regulators and supervisors	7.1.1. Number of development partners (incl. members), support organizations, global advocacy bodies, and capacity building institutions that promote and support implementation of basic enablers in their work with regulators and supervisors	Projection		3	4	7		
		Achieved	2 (World Bank & Toronto Center)	tbd	tbd	tbd		
	Sources: CGAP managed tracking sheet that collects information on the review of training curriculums and training schedules of relevant partners. As well as interviews/conversations with partners, as needed, also documented in a tracking sheet							
7.2. Project Outcome with partners: Partner supervisors have adopted necessary changes to their supervisory approaches to enforce the basic DFS enablers.	7.2.1. Number of partner supervisors that have adopted supervisory approaches to effectively enforce the basic DFS enablers	Projection				3		
		Achieved				tbd		
	Sources: CGAP managed tracking sheet that collects information from the direct engagement with partner supervisors							

¹⁷ The three priority areas include: 1) cross-border issues (e.g. remittances, crypto-currencies and super platforms); 2) market structure (e.g. competition and CICO networks); and 3) regulators promoting innovation (e.g. sandboxes).

8. Global Forum for Financial Inclusion (2-year project)

Outcomes	Indicator #		Baseline	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
			Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jun-23
8.0. Project Outcome with non-partners: A forum has been put in place for information sharing and coordination among SSBs and other relevant global bodies on crosscutting issues related to financial inclusion	8.0.1 A global forum for financial inclusion has been established for information sharing and coordination among SSBs and other relevant global bodies on crosscutting issues related to financial inclusion	Projection			Global Forum established			
		Achieved			tbd			
		Sources: Media press release from the sponsor/host of the financial inclusion forum or similar widely disseminated medium (e.g., a G20 communiqué)						
8.1. Project Outcome with partners: Relevant SSBs and other global bodies undertake specific initiatives of relevance to financial inclusion translating into standards and guidance across the SSBs that can be applied in the full range of country contexts	8.1.1. Number SSB/other global bodies initiatives (e.g. guidance and report drafting) of relevance to financial inclusion in process as of milestone date	Projection		20	20			
		Achieved	20	tbd	tbd			
		Sources: CGAP managed tracking document, informed by the GPFI SSB Check-in Meetings and CGAP's role as part of UNSGSA's reference group.						
8.2. Project Outcome with partners: SSB and relevant global body secretariats and key member jurisdictions deepen and institutionalize coordination and information sharing on issues relating to financial inclusion, taking greater ownership of the process and taking concrete steps to put a forum in place for this purpose	8.2.1: Number of SSBs and relevant global bodies that participate in and contribute to joint activities similar to those of the proposed global forum	Projection		7	7			
		Achieved		tbd	tbd			
		Sources: CGAP managed tracking document, informed by the GPFI SSB Check-in Meetings; preparations for 4th GPFI-FSI SSBs conference; 4 th GPFI-FSI SSBs conference itself						

9. Data Protection and Privacy (2-year project)

Outcomes	Indicator #		Baseline	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
			Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jun-23
9.0.1 Project Outcome with non-partners: Policy frameworks and provider practices that better protect poor people's data and privacy are being considered, under development or have been launched.	9.0.1: Number of new policy frameworks and provider practices to better protect poor people's data that are being considered, under development or have been launched	Projection			3			15
		Achieved	0		tbd			tbd
		Sources: Report consolidating evidence from: 1) Direct interviews with key actors in the public sector; 2) Desk research on regulatory developments; 3) Desk research on new policy initiatives.						
9.1. Project Outcome with partners: Key actors (including policy makers, supervisors, regulators and industry associations) that takes concrete measures towards adopting a policy approach guided by the novel data protection framework	9.1.1.: Number of key actors that take concrete measures ¹⁸ towards adopting a policy approach guided by the novel data protection framework	Projection			6			
		Achieved	0		tbd			
		Sources: CGAP managed tracking sheet documenting direct interactions with key actors including consultations at relevant convenings.						
9.2. Project Outcome with partners: Providers see business benefits of voluntarily adopting data protection practices	9.2.1.: Number of providers that have voluntarily adopted new or expanded data protection practices	Projection			2			
		Achieved	0		tbd			
		Sources: Report of transcript of direct interactions and interviews with partner providers						
9.3.2. Project Outcome with partners: Multiple governments or private-sector stakeholders and a funder partner commit to set up a cyber security center in a sub-region	9.3.1: Number of countries in which Government entity or private-sector stakeholders are committed to using services of a regional cyber security center for which funding has been committed	Projection			2			
		Achieved	0		tbd			
		Sources: Report of transcript of direct communication which Governments and private sectors actors						

¹⁸ The indicator focuses on 'concrete measures' rather than full adoption of the approach due to the foreseen level of effort and time legislative processes takes. The first year of the project will focus on developing the framework, only after which focus will be on influencing key actors. Concrete measures could include requests for technical drafting assistance, holding conferences or meetings with relevant stakeholders to discuss implementing proposals, introduction of legislation or publication of proposed rules.

10. Sector Support (2-year project, renewable)

Outcomes ¹⁹	Indicator #		Baseline	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
			Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23
10.0. Project Outcome with non-partners: Funders change their practices to be more responsible to market needs and global advocacy bodies and support organizations have strong vision and are adopting to a changing landscape	10.0.1: Percentage of people surveyed at funder agencies (incl. partners) applying CGAP's guidance in their work	Projection			60%	60%		60%
		Achieved			tbd	tbd		tbd
		Sources: Electronic survey of selected funders						
10.1. Project Outcome with partners: Improved understanding by partner funders of their roles relating to relevant technical matters emerging from CGAP VI priorities	10.1.1: Percentage of funder partners who have an improved understanding of their role due to CGAP's guidance	Projection			70%			70%
		Achieved			tbd			tbd
		Sources: Electronic survey with partners.						
10.2. Project Outcome with partners: Global advocacy bodies and support organizations benefit from CGAP's expertise through strategic partnerships with CGAP	10.2.1: Number of advocacy bodies and support organizations that report benefits from strategic partnership with CGAP	Projection		10		13		15
		Achieved		tbd		tbd		tbd
		Sources: Electronic survey with partners.						

11. Gateway Academy (3-year project)

Outcomes ²⁰	Indicator #		Baseline	Milestone 1	Milestone 2	Milestone 3	Milestone 4	Milestone 5
			Jul-18	Jul-19	Jul-20	Jul-21	Jun-22	Jun-23
11.0. Project Outcome with non-partners: Improved capacity for FSPs staff delivered through a sustainable, high quality and cost-effective training platform.	11.A.1 Ratio of grant funding to revenue generation through Gateway Academy subscribers and other revenue streams.	Projection				65% donor funded		35% donor funded
		Achieved		100% donor funded		tbd		tbd
		Source: Gateway Academy platform						
	11.0.1: Number of FSP staff report confidence in utilizing new knowledge and skills gained after taking courses on the Gateway Academy platform	Projection		720	1,500	3,500		
		Achieved	135	tbd	tbd	tbd		
	Sources: Gateway Academy platform							
11.1. Project Outcome with partners: Financial service providers have sustainable, high quality and cost-effective opportunities for building their capacities	11.1.1. Number of FSPs and support organizations subscribing to the Gateway Academy	Projection		16	22	30		
		Achieved	6	tbd	tbd	tbd		
		Sources: Gateway Academy platform						
	11.1.2: Number of course offered on the Gateway Academy platform offered by 3 rd party actors			12	20	30		
			7	tbd	tbd	tbd		
	Sources: Gateway Academy platform.							

¹⁹ CGAP will not measure crowding-in of global advocacy bodies and support organizations in the Results Framework as this is too remote from CGAP's direct influence.

²⁰ CGAP will not measure the ToC Industry Outcomes with specific ToC Industry Indicators due to cost and feasibility constraint of measuring increased staff capability globally.

Annex 5 MFA Risk Management Matrix

Contextual risk

Risk factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Inadequate commitment among policy makers and regulators to improve financial inclusion	Possible	Medium	A thorough involvement of CGAP, donors and the microfinance industry can mitigate the risk and gradually ensure that most governments prepare and implement financial inclusion plans	Minor	A number of the poorest countries in Africa have inadequate capacity to adequately address the financial inclusion agenda
Inadequate financial inclusion commitment from key private sector stakeholders	Possible	Medium	CGAP's close dialogue with key private sector stakeholders in relation to market and business opportunities will mitigate the risk	Minor	Some of the key private sector stakeholders, including mobile network providers, may not be adequately committed to promote financial inclusion e.g. through shared platforms
Major market risks in the form of massive data breach or hacking of financial systems	Likely	Medium	Continuous dialogue with regulators and financial service providers can keep focus on system and data security and consumer protection	Medium	Massive data breach or hacking of financial systems can threaten industry and consumer confidence for digital financial service systems

Programmatic risk

Risk factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Inadequate interest among donors to finance CGAP VI	Possible	Medium	CGAP is continuously in close dialogue with their members and have in this respect a good overview of future funding	Minor	Donors have already supported CGAP for more than two decades, and donors could consider to exit for that reason.
Inadequate impact and outcome evidence	Medium	Major	CGAP is aware of these challenges which will be addressed in studies, mid-term review etc. CGAP has developed a solid results framework which continuously will be assessed by CGAP and the donors/founders.	Minor	It can be difficult to document the outcome of CGAP's global activities, partly because financial inclusion is cross sectoral

Institutional risk

Risk factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Risk of departure of key personnel	Medium	Medium	CGAP is an interesting organisation with a global coverage which is able to recruit and keep highly skilled staff	Low	Loss of key personnel or high staff rotation can have a negative impact on the performance of the organisation

Annex 7 Process Action Plan – support to CGAP VI

Time line	Activity	Documentation	Responsible
5 – 23 March 2018	Preparation of concept note	Concept Note	VBE
4 April 2018	Concept note forwarded to KFU	Concept Note	VBE
6 – 20 April	Public hearing	Concept Note	KFU
4 May	Programme Committee	Concept Note	VBE
5 April – 24 May	Preparation of project document	Project document	VBE
24 May	Project document and appropriation cover forwarded to KFU	Final project document and appropriation cover	VBE
29 - 31 May	CGAP Annual Meeting	Back to office report	VBE
12 June	Council for Development Policy	Minutes from meeting	KFU
End of June	Presentation to Minister for Development Cooperation	Signature	KFU
End of June	Signing of agreements with CGAP	Legally binding agreement	VBE, CGAP
July/August	First disbursement to CGAP	Disbursement	VBE, CGAP

Formulation and quality assurance

The suggested commitment to CGAP has been exempted from the normal appraisal procedures. The main reasons are that MFA has supported CGAP for a number of years and therefore know the organisation well, and that the responsible department (Growth and Employment - VBE) has good financial sector capacity. However, VBE has been in dialogue with specialists from the Technical and Quality Support (KFU) department to discuss specific issues in connected with the formulation of the support.