

# **CGAP Phase IV Mid-Term Evaluation**

## **Revised Report**



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April 2012



## Executive Summary

### Background

The Evaluation Team is pleased to present this revised report on the CGAP Phase IV Mid-Term Evaluation.

The Consultative Group to Assist the Poor (CGAP) is an independent policy and research centre dedicated to advancing financial access for the world's poor. It is supported by more than 30 development agencies and private foundations and housed at the World Bank.

CGAP Phase IV commenced in July 2008 and continues until June 2013. This mid-term evaluation covers the period 1 July 2008 through 30 June 2011. The evaluation was commissioned by the CGAP Council of Governors as a requirement of the World Bank Group's Internal Evaluation Group (IEG) for the Global Partnership Programs. CGAP's CG is the primary client for the evaluation; CGAP managers are the secondary clients.

During the inception phase, CGAP and the Evaluation Team agreed on the following objectives for the evaluation:

- To evaluate CGAP's performance to date under the current phase (FY2009 – FY2013) in relation to its strategy and priority objectives; and
- To identify areas for improvement for the remainder of the current phase and beyond based on CGAP's comparative advantage in a rapidly evolving financial inclusion landscape.

The evaluation focused on four areas: i) CGAP's external and internal contexts; ii) relevance; iii) effectiveness; and iv) CGAP management and governance. To do justice to CGAP's contributions over time, this report distinguishes between the performance of CGAP as a whole (sometimes referred to as the CGAP entity in this report) and the CGAP Phase IV program.

This revised report reflects feedback from the ExCom and CGAP staff between February and April 2012.

### Methodology

The evaluation was conducted from September 2011 to April 2012 by an external and independent Evaluation Team that worked in close collaboration with CGAP throughout the assignment.

The evaluation was based on an approved matrix for data collection. Due to the absence of indicators for the market level goals in the CGAP IV Results Framework, the Evaluation Team developed and used approved proxy indicators to assess CGAP effects and impacts on industry target groups since 2008.

More than 160 individuals were consulted for the evaluation. Data were collected through focus group discussions, an electronic survey of CGAP's 33 members (85 per cent or 28 responded), as well as through individual and small group interviews that were held in person or via telephone/Skype. The Evaluation Team conducted a review of CGAP documents and relevant literature from other sources and also observed several meetings and events that CGAP managed or actively participated in between October 2011 and February 2012.

### Context

Over the period, there was a significant increase in the number of poor clients who have access to financial services, although access varies widely by geographic region and sectors of the economy. It is estimated that at least half of the world's population is unbanked. Changes in the global, regional and local contexts over the past three years have affected the landscape for organizations such as CGAP that work to support financial inclusion. These include: the commercialization of new technologies; new

products offered to the poor; new types of financial service providers; new types of investors; new regions for microfinance; new donors (including China, India and Brazil); a global financial crisis; microfinance crises in India and elsewhere; and the recognition of the limitations of supply-led approaches. Underpinning all of this has been a broadening of the focus of the market, away from a supply-side emphasis and towards providing clients with the range of products and services they need. All of these changes pose challenges and opportunities for organizations like CGAP to demonstrate their relevance in the financial inclusion arena over time.

### **CGAP's Overall Performance**

#### **Relevance**

CGAP is a highly relevant organization. that has established a valuable and recognized brand in the field of financial inclusion, as widely acknowledged by a range of stakeholders. In the period of this evaluation, the CGAP team has effectively managed and evolved the brand in a rapidly-changing environment. Innovation and building credibility have been key brand drivers that have helped management position the organization effectively in a period of significant change.

#### **Results and sustainability**

CGAP has been very effective in realizing its overall objective to create and share practically relevant knowledge to advance access to financial services for the poor, and is effectively using new communication tools to disseminate knowledge. The evolving financial inclusion arena has heightened the need for CGAP to clarify its position, focus on a global learning agenda, and effectively communicate its added value to others. Unlike other GRPPs, CGAP pays considerable attention to the sustainability of its contributions over time and there is considerable evidence that CGAP contributions to the financial services market are being, and will be sustained, over time. While CGAP clearly considers the sustainability of the results of its programming initiatives, its guidelines vis-à-vis sustainability are informally rather than formally defined.

#### **Management and Governance**

Despite its very complex programming context, CGAP has taken impressive steps to emphasize results in the Phase IV program design. Key limitations include the absence of an overall rationale and program logic that clearly explains how CGAP outcomes are intended to contribute to its goals, overall objective and mission, and some shortcomings in its Results Framework that hinder its utility in assessing CGAP's performance. CGAP strives to influence change in the financial services market and is currently taking steps to guide and measure how it influences change. This should help inform its future program design and measurement strategies.

Consulted CGAP stakeholders are very positive about how CGAP's Operational Team is implementing and managing CGAP IV. Their main concerns relate to some gaps in its expertise given the variety of technical areas it works in as well as the limited numbers of CGAP regional representatives.

In Phase IV, CGAP increased its emphasis on and made more effective use of partnerships. It also established effective systems to monitor and evaluate progress at the project level and to monitor program outputs and outcomes; however, it lacks a system to assess its performance vis-à-vis its overall objective and across program goals. While CGAP members are generally satisfied with its reporting practices, the time that staff spend producing some reports is not commensurate with their perceived value to surveyed CGAP members. Surveyed CGAP members are generally satisfied with CGAP's governance, structure and processes, but the evaluation noted that CGAP members' commitments as defined in the Charter are out of sync with its emphasis on financial inclusion (e.g., references to microfinance). There are mixed views on the need for changes in CGAP's membership base and on CGAP's administrative arrangement with the World Bank. CGAP stakeholders are concerned about potential changes in the funding landscape that may have implications for future CGAP programming.

## CGAP Phase IV Performance

CGAP's three Phase IV goals are all highly relevant given the global context. This stems from the continued exclusion of the world's poor from formal financial markets, policy environments that remain an obstacle to financial access for the poor, and the importance of developing an effective funding environment. CGAP goals are also deemed relevant by consulted CGAP members, particularly Goal 2 related to the policy environment.

CGAP met or exceeded planned outcomes for the period in most areas. CGAP is credited with influencing some valued changes in the behaviours and practices of financial service providers, policy makers, and CGAP member donors active in the financial services market. Interviews indicate that many financial service providers have changed policies and practices in line with CGAP's advice, and CGAP has leveraged impacts related to financial inclusion in developing countries: CGAP has played an important role in demonstrating the potential for new technologies and approaches to serve the poor and help them "graduate" out of extreme poverty.

Interviewed policy makers and other stakeholders also credit CGAP for several important contributions to global level policy-setting discussions on financial inclusion by bodies such as the G20, and to developing country frameworks, particularly in relation to branchless banking and increased transparency. Throughout Phase IV, CGAP has continued to play a role in supporting positive regulatory and supervisory frameworks and capacity building, and stakeholders acknowledge the role CGAP has played in promoting responsible finance, especially consumer protection. CGAP has met or exceeded most of its targets related to impact on its members/funders, and is having an important influence, beyond its members, in relation to the transparency of funding.

### Performance by Phase IV Goal

- **Goal 1 (building financial market infrastructure)**
  - Goal 1 remains highly relevant to CGAP's members and stakeholders and is extremely relevant as the majority of the world's poor remain excluded from formal financial systems. Interviews indicate that many financial service providers have changed policies and practices in line with CGAP's advice. CGAP has leveraged impacts related to financial inclusion in developing countries (e.g., Eko, India; Tameer Bank, Pakistan).
  - CGAP has developed a number of viable models for financial services for the poor, six of which are ready to be adopted by mainstream financial institutions. While it is premature to assess effects of the applications/roll out of these models, and there is limited cost-benefit analysis available to demonstrate efficiency of new business models, during Phase IV there was a significant increase in poor clients having access to financial services.
- **Goal 2 (fostering enabling policy environments)**
  - Since policy environments continue to be a barrier to financial access for the poor, CGAP IV's Goal 2 is highly relevant. Its emphasis on financial stability and protection of poor clients is increasingly relevant to the global context and CGAP stakeholders.
  - CGAP has made highly valued contributions to global level policy setting discourse on financial inclusion, including a white paper for the G20 Global Partnership for Financial Inclusion and a guidance paper for the Basel Committee. It has played a significant role in the development of policy frameworks for branchless banking in numerous countries and has increased transparency in several countries such as Pakistan, India, and the Philippines. Throughout Phase IV, CGAP has continued to play a role in supporting positive regulatory and supervisory frameworks such as with regional regulator BCEAO, and in capacity building through the Boulder Institute and Windsor Global Leadership Seminar.

- Stakeholders acknowledge the role CGAP has played in promoting responsible finance, especially consumer protection through initiatives such as the Smart campaign and publications like “Financial Access 2010.”
- **Goal 3 (more effective funding for access to finance)**
  - Goal 3 is highly relevant to the microfinance sector. CGAP’s de facto role as the industry association for donors and public investors is relevant in the narrower microfinance market. Moving forward, it will have to determine its relevance to the varying types and expectations of donors and investors involved in the broader landscape of financial inclusion.
  - CGAP operates as the industry’s ‘soft’ standard setter. It has made a conscious effort to reflect global challenges by moving from an emphasis on commercial aspects (i.e., supply side) to include a client focus (i.e., demand driven concerns). CGAP provides a relevant service with research and reports. As the funding landscape becomes more complex, CGAP will need to articulate a clear influence model and focus its efforts accordingly.
  - CGAP has met or exceeded most of its targets related to impact on its members/funders. It is measuring some outcome indicators (e.g., its impact on funders/members adopting key messages, by portfolio reporting, participating in SmartAid, and referring to CGAP good practices in documentation).
  - CGAP is having an important influence, beyond its members, in relation to the transparency of funding. Other influence on this segment is harder to attribute (e.g., MIVs changing practices, making social and financial performance data available, and reporting based on MIV Disclosure Guidelines).
  - CGAP also does some work with private investors, such as responsible finance, but otherwise it relies on members to have their own influence on non-members, such as other intermediaries which they support, e.g., MIVs.

### Recommendations

#### **Recommendation 1: For the remaining period of Phase IV, CGAP should continue to implement Phase IV as designed.**

The evaluation did not find any urgent needs for change in the remaining period of Phase IV as it is more than 60 per cent complete and plans are in place and unfolding. The following recommendations are therefore aimed primarily at CGAP planning and design beyond 2013.

#### **Recommendation 2: In the changing global environment and expanding context of financial inclusion, CGAP should continue to position itself effectively, focussing on a global learning agenda, and communicate its added value to all stakeholders.**

In the broad and expanding arena of financial inclusion, it is not possible for CGAP to be all things to all stakeholders at all levels. It is becoming increasingly important for CGAP focus its resources on areas where it clearly brings added value and where it can provide leadership, while at the same time identifying areas for collaboration and strategic partnerships (see recommendation 3).

CGAP has made clear that it pursues a global learning agenda, and that its national level policy work and local level work in supporting product or business model innovation are a means to achieve its global learning objectives rather than an end in themselves. This sensible strategy is in line with CGAP’s resources and with its overall objective (which all stakeholders see as its comparative advantage). However, this is not uniformly understood among its different stakeholders. CGAP needs to clarify and communicate its added value and strategy to others.

As CGAP discusses and clarifies its added value and roles, it should consider:

- **The ongoing relevance of its vision, mission and overall objective in the context of financial inclusion.** Given the evolving context and external and internal CGAP stakeholders' concerns about CGAP's vision, mission, and focus, CGAP should review and revise these important statements as part of its planning for the period beyond 2013 so that they are clear, precise and relevant.
- **Standardizing and clarifying the relative hierarchy among its vision, mission, objective and goals.** Given noted inconsistencies flagged in the report, CGAP should also consider standardizing how it uses and defines these terms to support greater clarity among its external stakeholders and consistency within CGAP. In this vein, it might also want to clarify the relative hierarchy of these terms (e.g., how CGAP goals are intended to contribute to the overall objective and how the objective informs the goals), and determine how these various statements will guide CGAP programming in the future.

**Recommendation 3: CGAP should continue to foster collaboration and partnerships to enrich, leverage and complement its roles in financial inclusion.**

The evaluation noted improvements in CGAP's collaboration and partnerships over the past 2-3 years. It is also working increasingly with other parties in a variety of areas, including mobile banking, "knowledge for knowledge," the Graduation Program, and research such as the MIV survey. As CGAP cannot be all things to all stakeholders, collaboration is and will continue to be valuable in the complex, challenging and expanding context of financial inclusion and in the context of tighter resources for all development initiatives. In so doing, CGAP may wish to draw upon some of the literature that talks to the value of broad cross-sector coordination to support social change.

**Recommendation 4: CGAP should develop a strategic performance measurement system that will allow it to measure and report to its stakeholders on its contributions/results at all levels – from projects to programs to its overall objective – both periodically and over time.**

CGAP has defined a vision, a mission, an overall objective, three program goals and three roles. It has established systems to measure and report on projects and on individual program outputs and outcomes, but not yet at other levels. The missing link is a strategic system that ties these together and allows CGAP to collect information and report on its contributions, both periodically and cumulatively, at those priority levels as determined by CGAP.

To bring its existing systems together in a unified, cohesive, and useful tool, CGAP should build on program design improvements to date by clarifying and formalizing the implicit rationale and logic of its programs, and ensure that these are adequately reflected in its results frameworks and systems in the future. This should include the following elements:

- **Articulate the theory of change of the overall program** (i.e., the logical links from inputs to outputs and outcomes, goals and overall objective and the assumptions on which these are based). Developing the program logic or theory of change (see sidebar) will help CGAP managers and stakeholders see how individual activities, initiatives or projects are intended to contribute to overall goals and the objective and will also help CGAP track its progress. (We also encourage CGAP to develop the logic/theory of change for each of its activities/projects.)
- **Review and revise CGAP's Results Framework** to ensure that it reflects the program logic and that it is sufficiently robust to assess CGAP performance more deliberately and more regularly over time.
- **Monitoring and Evaluation:** Develop a formal process and indicators to guide an overall assessment of CGAP's planned/actual cumulative performance over time at the level of its overall objective (and possibly across its program goals), regardless of the programming phase. This could include periodic reviews by the ExCom of the CGAP Results Framework, its strategies and assumptions to identify and operationalize needed changes, complemented by internal/external program monitoring and external evaluations. CGAP might also consider designating a "sparring partner" (internal or external to CGAP) to facilitate such reviews on a periodic basis.
- **Sustainability of CGAP results:** Clarify and document CGAP's values and practices regarding sustainability – i.e., the what, why, when, how deeply, and for how long CGAP should get involved in various initiatives; when it is time to withdraw and pass the torch to others; and when it should let an initiative "die" as it has served its purpose. CGAP should consider including such information in CGAP strategies and reference manuals.
- **Enhance documentation:** CGAP has increased attention to clarifying the "key messages" and the implicit theories of change that are driving its initiatives, and to defining its influence models and strategies. CGAP might want to reflect these in its project, program and strategic and operational documents in the future.

#### Theory of change

The causal links between the building blocks that underlie a specific approach to change are often described as a program's *theory of change*.<sup>1</sup>

Developing a theory of change includes:

- Identifying and agreeing upon the long term objectives of a program/initiative
- Identifying all the steps needed to reach a long-term objective, including the program's inputs, the activities they will be used for, the immediate results they will produce, and the intermediate and long-term results they will contribute to
- Explaining and testing the cause and effect relationships that exist between each step
- Identifying the assumptions on which these relationships are based.

Selected performance indicators should remain relevant over time, and thus independent of any specific phase.

#### **Recommendation 5: CGAP should continue to complement the strategic knowledge and insights offered by its current members with the knowledge and insights of other key players in the financial inclusion arena.**

As CGAP operates in the expanding world of financial inclusion, even its large membership base may not be sufficient to capture all of the issues and views that prevail. While this could be achieved in part through enhanced partnerships (recommendation 4), CGAP might also consider its membership structure.

<sup>1</sup> For more information on the Theory of Change see: Andrea Anderson, *Introduction to Theory of Change*, Aspen Institute Roundtable on Community Change, 2005.



Surveyed CGAP members expressed mixed views on the appropriateness of CGAP's current membership base, and some interviewed stakeholders suggested that CGAP should consider expanding membership to include parties such as the BRICS, financial service providers, policy makers, and other types of relevant interested organizations, to better realize CGAP's mission and ambitions with regard to financial inclusion.

One way to capture the views and input of other key players in financial inclusion would be by expanding the membership base of CGAP. Although we are reluctant to suggest increasing the number of donor members, it is worth considering adding another class of members, such as non-voting or "Class B" shareholders, in order to allow some input and ownership of CGAP without over-burdening the governance of the institution. Another way would be to appoint advisors or elected members to represent new constituencies to the ExCom.

The table on the following pages links conclusions, findings, suggestions and recommendations of the evaluation.

Overall Conclusions	Findings	Suggestions	Recommendations
<p><b>Relevance</b> CGAP is a highly relevant organization. that has established a valuable and recognized brand in the field of financial inclusion, as widely acknowledged by a range of stakeholders. In the period of this evaluation, the CGAP team has effectively managed and evolved the brand in a rapidly-changing environment. Innovation and building credibility have been key brand drivers that have helped management position the organization effectively in a period of significant change.</p>	<p>1. CGAP's mission, to advance financial access for the poor, is highly relevant given the poor's limited access to formal financial services.</p> <p>2. CGAP is highly valued across all interviewed and surveyed stakeholder groups, demonstrating its relevance to their needs.</p> <p>3. CGAP's demonstrated ability to evolve over time in anticipation of and/or in response to the changing financial inclusion landscape is a positive indication of its ongoing relevance.</p>		
<p><b>Effectiveness</b> CGAP stakeholders indicate that it is very effective in creating and sharing knowledge to advance access to financial services for the poor. CGAP's ongoing challenges relate to clarifying its position and focus in the evolving context of financial inclusion and communicating its added value.</p>	<p>4. CGAP has been very effective in realizing its overall objective to create and share practically relevant knowledge to advance access to financial services for the poor.</p> <p>5. CGAP is effectively using new communication tools to disseminate knowledge.</p> <p>6. Stakeholders provided a range of opinions on CGAP's roles in advocating for standard setting and adoption of best practices, providing advisory services, and supporting experimental approaches.</p> <p>7. The evolving financial inclusion arena has heightened the need for CGAP to clarify its position and focus and communicate its added value to others.</p>		<p><b>Recommendation 2:</b> In the changing global environment and expanding context of financial inclusion, CGAP should continue to position itself effectively, focusing on a global learning agenda, and communicate its added value to all stakeholders.</p>
<p><b>Sustainability</b> Unlike other GRPPs, CGAP pays considerable attention to the sustainability of its contributions over time.</p>	<p>8. There is considerable evidence that CGAP contributions to the financial services market are being, or will be, sustained over time.</p>	<p><b>Suggestion:</b> It would be helpful if CGAP codified what 'spinning off' means, and what encompasses an acceptable exit strategy. CGAP should pay more attention to systematically reporting on its progress, successes and lessons learned related to sustainability to give its stakeholders a more</p>	

Overall Conclusions	Findings	Suggestions	Recommendations
		accurate picture of its contributions over time.	
	9. While CGAP clearly pays sufficient attention to the sustainability of the results of its programming initiatives, CGAP's guidelines vis-à-vis sustainability are informally rather than formally defined.	<b>Suggestion:</b> In the next iteration of its Reference Manual and strategy, CGAP should consider highlighting its views and practices on sustainability.	
<p><b>Design</b></p> <p>While CGAP Phase IV program design emphasizes results, CGAP does not clearly explain how outcomes are intended to contribute to goals or to its overall objective and mission. This limits CGAP's ability to assess its performance.</p>	<p>10. Despite its very complex programming context, CGAP has taken impressive steps to emphasize results in the Phase IV program design. Key limitations include the absence of an overall rationale and program logic that clearly explains how CGAP outcomes are intended to contribute to its goals, overall objective and mission, and some shortcomings in its Results Framework that hinder its utility in assessing CGAP's performance.</p>	<p><b>Suggestion:</b> CGAP should continue clarifying its "key messages" and implicit theories of change, defining its influence models and strategies, and should include these in project documents and IC proposal guidelines. CGAP should consider including sustainability as a requirement in IC proposals.</p> <p><b>Suggestion:</b> CGAP should pay more attention to defining its program rationale and logic.</p> <p><b>Suggestion:</b> Including its objective in the results frameworks could provide a more meaningful basis for assessing CGAP's performance over time and help situate CGAP goals as strategies to realize its overall objective.</p>	See Recommendation 4
	11. CGAP strives to influence change in the financial services market and is currently taking steps to guide and measure how it influences change. This should help inform its future program design and measurement strategies.	<b>Suggestion:</b> It would be useful if these influence models and indicators were documented and included in CGAP strategy documents and/or reference manuals in the future.	
<p><b>Implementation</b></p> <p>CGAP Phase IV is well managed and has increased its use of partnerships. Stakeholders are concerned about the implications of potential changes in funding for future CGAP programming.</p>	12. Consulted CGAP stakeholders are very positive about how CGAP's Operational Team is implementing and managing CGAP IV. Their main concerns relate to the adequacy of CGAP's expertise given the variety of technical areas it works in and the limited number of CGAP regional representatives.		
	13. CGAP stakeholders are concerned about potential changes in the funding landscape that may have implications for future CGAP programming.	<b>Suggestion:</b> CGAP will need to continue to: identify new sources of funding; partner strategically with others; continue the current business model that allows for expansion and contraction based on resources (2 year staff	

Overall Conclusions	Findings	Suggestions	Recommendations
		contracts); maintain appropriate operating reserves; and continue to manage with fiscal discipline.	
	14. In Phase IV, CGAP has increased its emphasis on, and effective use of, partnerships.		<b>Recommendation 3:</b> CGAP should continue to foster collaboration and partnerships to enrich, leverage and complement its roles in financial inclusion.
<b>M&amp;E, Learning</b> CGAP monitors and evaluates its programs, but does not yet have a way to assess its performance across program goals and in terms of its overall objective.	15. CGAP has established effective systems to monitor and evaluate progress at the project level and to monitor program outputs and outcomes. It lacks a system to assess its performance vis-à-vis its overall objective and across program goals.	<b>Suggestions:</b> CGAP should consider developing a process to guide overall program level monitoring on a periodic basis. CGAP should clarify if and how future program evaluations should support its learning and accountability needs. CGAP should consider developing a few indicators to monitor and evaluate its cumulative performance at the overall objective level. CGAP's ExCom should consider institutionalizing a process to review the ongoing appropriateness of the Results Framework periodically.	<b>Recommendation 4:</b> CGAP should develop a strategic performance measurement system that will allow it to measure and report to its stakeholders on its contributions/results at all levels – from projects to programs to its overall objective – both periodically and over time.
	16. CGAP members are generally satisfied with its reporting practices. However, the time that staff spend producing some reports is not commensurate with their perceived value to surveyed CGAP members.		
<b>Governance/ accountability</b> CGAP members are satisfied with its governance and structure and have some mixed views on its membership base. Overall, CGAP's administrative arrangement with the World Bank provides mutual benefits.	17. Surveyed CGAP members are generally satisfied with CGAP's governance, structure and processes. There are mixed views on the need for changes in CGAP's membership base.	<b>Suggestion:</b> CGAP may wish to review and revise how Members' commitments are defined in the CGAP Charter.	<b>Recommendation 5:</b> CGAP should continue to complement the strategic knowledge and insights offered by its current members with the knowledge and insights of other key players in the financial inclusion arena.
	18. While stakeholders have a range of		

Overall Conclusions	Findings	Suggestions	Recommendations
	views on the CGAP-World Bank relationship, it generates a number of strategic, reputational and operational benefits for CGAP, as well as some reputational benefits for the Bank.		
<p><b>CGAP Phase IV Performance</b> Overall, CGAP IV has been highly relevant and highly effective in light of Phase IV program goals.</p>			<p><b>Recommendation 1:</b> For the remaining period of Phase IV, CGAP should continue to implement Phase IV as designed.</p>
	<p><b>Findings on Goals 1-3</b></p> <p>19. Goal 1 of CGAP-IV is highly relevant as the majority of the world’s poor remain excluded from formal financial markets.</p> <p>20. Goal 1 of CGAP-IV remains highly relevant to CGAP members and market stakeholders.</p> <p>21. Interviews indicate that many financial service providers have changed policies and practices in line with CGAP’s advice.</p> <p>22. In addition to realizing planned outcomes associated with Goal 1, CGAP has also contributed to some important impacts in the mobile phone industry in developing countries.</p> <p>23. Given that policy environments remain an obstacle to financial access for the poor, CGAP-IV’s Goal 2 is highly relevant.</p> <p>24. CGAP-IV’s Goal 2, and its emphasis on balancing financial inclusion with financial stability and protection of poor clients, is increasingly relevant to the global context and CGAP stakeholders.</p> <p>25. CGAP is highly valued for its contributions to global level policy setting discussions on financial inclusion.</p> <p>26. CGAP has played a significant role in the development of policy frameworks for branchless banking in numerous countries.</p> <p>27. Throughout Phase IV, CGAP has continued to play a role in supporting positive regulatory and supervisory frameworks and capacity building.</p> <p>28. Stakeholders acknowledge the role CGAP has played in promoting responsible finance, especially consumer protection.</p> <p>29. CGAP-IV’s Goal 3, related to developing an effective funding environment, is highly relevant to the microfinance sector.</p> <p>30. CGAP’s de facto role as the industry association for donors and public investors is relevant in the narrower microfinance market. Moving forward, it will have to determine its relevance to the varying types and expectations of donors and investors involved in the broader landscape of financial inclusion.</p> <p>31. CGAP has met or exceeded most of its targets related to impact on its members/funders.</p> <p>32. CGAP is having an important influence, beyond its members, in relation to the transparency of funding.</p>		



## Acronyms

AFD	Agence Française de Développement
AfDB	African Development Bank
AFI	Alliance for Financial Inclusion
BCEAO	Banque Centrale des États de l'Afrique de l'Ouest
BRIC/BRICS	Brazil, Russia, India, China (and South Africa, which was added in 2012)
CG	Council of Governors
CGAP	Consultative Group to Assist the Poor
CMEF	Council of Microfinance Equity Funds
D&I	Donors and Investors
DFI	Development finance institution
DfID	Department for International Development
DGF	Development Grant Facility
ETC	Extended Term Consultant
ExCom	Executive Committee
FPD	Financial and Private Sector Development Vice Presidency, World Bank
FSP	Financial service provider
GFC	Global financial crisis
GPMI	Global Partnership for Financial Inclusion
GRPP	Global and Regional Partnership Programs
IAMFI	International Association of Microfinance Investors
IC	Investment Committee
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
IPO	Initial Public Offering
MFI	Microfinance institution
MIV	Microfinance Investment Vehicle
MSC	Microcredit Summit Campaign
MSME	Micro, small and medium enterprises
SHG	Self-help Group
SME	Small and medium enterprises
SRI	Socially responsible investment
UNCDF	United Nations Capital Development Fund

## Glossary of Terms

CGAP Entity	In this report, CGAP entity refers to the organizational aspects of CGAP, such as its governance and operating structures, programs, resources and so on. We use the word entity rather than organization since CGAP is not, in legal terms, an organization but a program of the World Bank. However, CGAP is viewed by stakeholders and encouraged by members to act like a permanent institution with a longer-term mission. In its financial and organizational management it acts accordingly.
Financial Inclusion	Access to payments, insurance, credit and savings delivered by formal providers conveniently and responsibly at a sustainable price for provider and affordable cost to clients. (G20 definition)
Financial Service Providers	In this report, the term encompasses all types of existing/potential financial service partners (FSP) including telecommunications companies and retail stores, credit unions, MFIs and so on.
Market	In this document we use the word market to refer to the financial services market.
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies. Retrospectively, the question of relevance often becomes a question as to whether the objectives of an intervention or its design are still appropriate given changed circumstances. (From OECD Glossary)
Effectiveness	OECD: The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance. (From OECD Glossary)
Sustainability	OECD: The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits. The resilience to risk of the net benefit flows over time. (From OECD Glossary)



# Contents

1. Introduction	1
1.1 Background	1
1.2 Evaluation Methodology	2
1.2.1 Overview	2
1.2.2 Evaluation Approach and Process	2
1.2.3 Data Collection Sources and Methods	2
1.2.4 Data Analysis	3
1.2.5 Limitations and Mitigation Strategies	3
1.3 Report Overview	4
2. CGAP Profile	5
2.1 Overview	5
2.2 History/Evolution of CGAP	5
2.3 CGAP Mission, Objective, Strategy and Roles	6
2.4 CGAP Governance and Operational Structures	7
2.5 CGAP Financial Profile	11
2.6 CGAP Phase IV	14
2.6.1 Vision, Mission, Goals and Outcomes	14
2.6.2 CGAP Projects	15
3. Context	17
3.1 Overview	17
3.2 Global Context	17
3.3 Market Context	19
4. Overall Performance of CGAP	24
4.1 Introduction	24
4.2 Relevance	24
4.3 Effectiveness	26
4.4 Sustainability of Results	32
4.5 CGAP Management	34
4.5.1 CGAP IV Design	34
4.5.2 CGAP IV Implementation	40
4.5.3 CGAP IV Monitoring, Evaluation and Learning	43
4.6 CGAP Governance and Accountability	47
5. CGAP Phase IV Performance	52
5.1 Overview	52
5.2 Goal 1: Building Financial Market Infrastructure	52
5.2.1 Introduction	52

## Contents

5.2.2	Programs and Activities Related to Goal 1	53
5.2.3	Relevance	54
5.2.4	Effects and Impacts	55
5.2.5	Conclusion	57
5.3	Goal 2: Fostering Enabling Policy Environments	58
5.3.1	Introduction	58
5.3.2	Programs and Activities Related to Goal 2	58
5.3.3	Relevance	60
5.3.4	Effects and Impacts	61
5.3.5	Conclusion	64
5.4	Goal 3: More Effective Funding for Access to Finance	64
5.4.1	Introduction	64
5.4.2	Programs and Activities Related to Goal 3	65
5.4.3	Relevance	66
5.4.4	Effects and Impacts	67
5.4.5	Conclusion	71
5.5	Performance Summary	72
6.	Conclusions and Recommendations	74
6.1	Conclusions	74
6.2	Recommendations	76

## Exhibits

Exhibit 2.1	CGAP and the Evolution of the Microfinance Sector	5
Exhibit 2.2	CGAP Organizational Chart	11
Exhibit 2.3	Profile of CGAP Revenues and Expenses (2004-2012) in USD	13
Exhibit 2.4	Summary of CGAP IV Goals and Outcomes	15
Exhibit 2.5	Profile of CGAP Projects and Outcomes (CGAP IV)	15
Exhibit 3.1	MIX Market Information, 2007-2010	18
Exhibit 3.2	Evolution of Microfinance Products and Services	20
Exhibit 4.1	CG Members Survey Results – Importance of CGAP Sources of Information	45
Exhibit 4.2	Assessment of CGAP Members’ Planned/Actual Commitments	47
Exhibit 4.3	Benefits and Drawbacks of CGAP-WB Arrangement	50
Exhibit 5.1	Performance Snapshot	72

## Appendices

Appendix I Revised Evaluation Framework	80
Appendix II Stakeholders Consulted	87
Appendix III Documents Cited	92
Appendix IV Status of CGAP III Evaluation Recommendations	95
Appendix V Limitations in CGAP Vertical Logic	100
Appendix VI CGAP Branchless Banking Models and Partners	101
Appendix VII Collective Impact	102



# 1. Introduction

## 1.1 Background

The Evaluation Team is pleased to present this revised report on the CGAP Phase IV Mid-Term Evaluation. The Consultative Group to Assist the Poor (CGAP) is an independent policy and research center dedicated to advancing financial access for the world's poor. It is supported by more than 30 development agencies and private foundations that share a common mission to alleviate poverty. Housed at the World Bank, CGAP provides market intelligence, promotes standards, develops innovative solutions, and offers advisory services to governments, microfinance providers, donors and investors.

CGAP is currently in its 16<sup>th</sup> year of operation and its fourth phase, which commenced in July 2008 and continues until June 2013. This mid-term evaluation of CGAP Phase IV covers the period 1 July 2008 through 30 June 2011.

CGAP commissioned The Universalia Management Group Ltd. and AYANI Inclusive Financial Sector Consultants to work as a team to carry out the evaluation on its behalf. The evaluation was guided by a CGAP Evaluation Steering Committee which consisted of two members of the Executive Committee (ExCom) and two CGAP staff members. CGAP's Operations Manager and Secretary to the Evaluation Steering Committee managed the evaluation process on behalf of CGAP.

### Evaluation Objectives and Foci

During the inception phase, CGAP and the Evaluation Team agreed on the following objectives for the evaluation:

- To evaluate CGAP's performance to date under the current phase (FY2009 – FY2013) in relation to its strategy and priority objectives; and
- To identify areas for improvement for the remainder of the current phase and beyond based on CGAP's comparative advantage in a rapidly evolving financial inclusion landscape.

The evaluation focused on four areas: i) CGAP's external and internal contexts; ii) relevance; iii) effectiveness; and iv) CGAP management and governance. To do justice to CGAP's contributions over time, this report distinguishes between the performance of CGAP as a whole (sometimes referred to as the CGAP entity in this report), and the CGAP Phase IV program.

### Evaluation Client

This evaluation was commissioned by the CGAP Council of Governors (CG) as a requirement of the World Bank Group's Internal Evaluation Group (IEG) for the Global Partnership Programs. CGAP's CG is the primary client for the evaluation; CGAP managers are the secondary clients.

## 1.2 Evaluation Methodology

### 1.2.1 Overview

The Evaluation Team carried out this assignment according to international evaluation standards including OECD DAC definitions for context, relevance, effectiveness, efficiency,<sup>2</sup> as well as World Bank Guidelines for evaluating Global and Regional Partnership Programs (GRPPs).

### 1.2.2 Evaluation Approach and Process

The evaluation was conducted by an external and independent Evaluation Team that worked in collaboration with CGAP throughout the assignment. The evaluation process included four components: 1) inception; 2) data collection; 3) analysis and reporting; and 4) assignment management.

The Inception Phase in September/October 2011 was aimed at fine-tuning the assignment purpose, users, scope, foci, methodology, schedule, and resource requirements. In collaboration with CGAP, the Evaluation Team also developed an Evaluation Framework (Appendix I) that guided data collection, analysis, and report writing. Data collection and analysis were carried out between October 2011 and April 2012, and included data collection in Luxembourg, Paris, Washington D.C., Indonesia, India, and Ghana. The Evaluation Team presented its preliminary observations to the Evaluation Steering Committee and available CGAP Operational Team members on 2 December 2011 in Washington, D.C.

The first draft of this report was shared with CGAP in January 2012 and a summary of the evaluation key findings, conclusions and recommendations was presented to the ExCom in Paris in February 2012. This revised report reflects verbal and written feedback from the ExCom and CGAP staff between February and April 2012.

### 1.2.3 Data Collection Sources and Methods

The sources of data for the evaluation included:

- People:** A total of 162 individuals were consulted for this evaluation, the majority (62 per cent) of whom were external to CGAP management and governance. Data were collected through focus group discussions, an electronic survey of CGAP's 33 members (85 per cent or 28 responded), as well as through individual and small group interviews that were held in person or via telephone/Skype. A list of persons interviewed is provided in Appendix II.
- Documents/Literature:** The Evaluation Team conducted a limited review of CGAP documents and relevant literature from CGAP and other sources. The list of documents referenced in this report is

#### Profile of CGAP Stakeholders Interviewed

101 external stakeholders, including: 13 financial service providers; 23 investors; 11 government representatives/ policy makers; 36 financial enablers; 12 other staff of CGAP members (i.e., not designated CGAP member representatives); 6 others.

23 CGAP members, including 14 designated CGAP Member Representatives\* and 9 ExCom members\*

6 Investment Committee members\*

32 CGAP staff members

\* Interviewees in these categories may fit multiple categories (e.g., an ExCom member may also be counted as a Member Donor).

<sup>2</sup> OECD. (2002). *Glossary of Key Terms in Evaluation and Results Based Management*. <http://www.oecd.org/dataoecd/29/21/2754804.pdf>

presented in Appendix III. A full list of documents provided by CGAP up to November 2011 is included in the Evaluation Inception Report.

- **Observation at selected events:** The Evaluation Team observed several meetings and events that CGAP managed or actively participated in between October and December 2011. These included the European Microfinance Week in Luxembourg in November 2011, and three meetings in Washington D.C.: ExCom meeting (26-27 September 2011); CGAP Regional Representatives meeting (24 October 2011), and ‘CGAP Clients at the Centre’ meeting (1 December 2011).

### 1.2.4 Data Analysis

The Evaluation Team used several methods to analyze data:

- **Descriptive analysis** was used to understand the context in which CGAP’s work has taken place, its objectives, expected results, intended beneficiaries, investments made, and so forth.
- **Content analysis** made up the core of the qualitative analysis. Documents and consultation notes were analyzed to 1) identify common trends, themes, and patterns and 2) to flag diverging views and opposing trends.
- **Quantitative analysis** was used to summarize and interpret quantitative information deriving from the survey.

The mix of methods provided opportunities to triangulate data from different sources and thus enhanced the credibility of findings. Based on the data analysis, the Evaluation Team developed findings and recommendations.

### 1.2.5 Limitations and Mitigation Strategies

The evaluation faced a few challenges and limitations. These, as well as mitigation strategies applied by the Evaluation Team (where applicable), are outlined below.

**Doing justice to CGAP contributions:** While this evaluation was commissioned and designed to review the performance of CGAP Phase IV, over the course of the evaluation, it became evident that the focus on CGAP Phase IV was insufficient to capture CGAP’s contributions over the period for a couple of reasons. First, while CGAP IV is guided by an overarching results framework, CGAP reports that the framework does not capture at least 30 per cent of its efforts and activities, largely because CGAP wants to be able to respond flexibly to shifting and evolving priorities and initiatives in response to industry needs and global developments. Second, many of CGAP’s contributions are cumulative over time; they are not necessarily tightly coupled with the CGAP Phase IV design. For example, CGAP continues to be recognized for initiatives that commenced prior to Phase IV and that have had continuing and/or additional effects in Phase IV. To do justice to this, this report distinguishes between the performance of CGAP as a whole (sometimes referred to as the CGAP entity in this report), and the CGAP Phase IV program. Nevertheless, the Evaluation Team had to be selective in analyzing and documenting selected CGAP contributions, given the volume and diversity of CGAP activities over time, as well as the tardy decision to examine and report on CGAP’s performance as an entity.

**Basis for assessment:** While the CGAP IV Results Framework identified several market level goals, these were generally not complemented by indicators. To address this shortcoming, the Evaluation Team proposed proxy indicators to assess CGAP effects and impacts on industry target groups since 2008; this approach was approved by CGAP during the Inception Phase with the understanding that the indicators could be adjusted as required as the evaluation progressed.

**Evolving definition of Financial Inclusion:** CGAP’s primary definition for financial inclusion has evolved over time. Previously it was “to increase financial access for all” as stated in its *Financial Access 2009* publication. More recently, CGAP has adopted the broader G20 definition (see sidebar). In our analysis, we have used the G20 definition which encompasses the demand side as well as the supply side of the equation and have made recommendations as to how CGAP could capture more demand-side impacts.

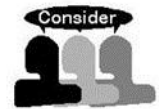
**Financial Inclusion:** Access to payments, insurance, credit and savings delivered by formal providers conveniently and responsibly at a sustainable price for provider and affordable cost to clients.

**Doing justice to CGAP stakeholders’ views:** CGAP has a large and varied assortment of stakeholders including the CG, bilateral and multilateral donors, investors, foundations, policy makers in developing countries, designated funders, and financial inclusion practitioners to name a few. CGAP has very different relationships with these stakeholders, with implications for their expectations of CGAP and their views on its performance. While stakeholders’ views were often aligned, in some instances they contradicted one another. In this report, we have made every effort to reflect the views of different stakeholders as clearly as possible.

### 1.3 Report Overview

This report is structured in six sections. Following this introduction, **Section 2** provides a profile of CGAP and the CGAP-IV program. **Section 3** describes the global and industry contexts in which CGAP’s work has taken place. **Section 4** presents the evaluation findings with regard to CGAP performance in terms of its relevance, effectiveness, sustainability, management and governance. **Section 5** presents the evaluation findings with regard to CGAP IV performance in terms of its three goals. **Section 6** presents the evaluation’s conclusions and recommendations for CGAP for the remainder of Phase IV and beyond.

Throughout the report the following icon is used to highlight suggestions for CGAP to consider.





## 2. CGAP Profile

### 2.1 Overview

This chapter provides a profile of CGAP and of the CGAP Phase IV program. It does not provide evaluation analysis or findings, but rather the background information to help readers situate the evaluation findings and conclusions found in sections 4, 5 and 6 of this report.

Sections 2.2 to 2.5 provide a description of: CGAP history and evolution, mission and role, governance and operational structure, and revenues and expenses (financial profile).

Section 2.6 provides a profile of the CGAP Phase IV program, including its goals and outcomes and projects.

### 2.2 History/Evolution of CGAP

CGAP is an independent policy and research centre dedicated to advancing financial access for the world's poor. Housed at the World Bank, CGAP provides market intelligence, promotes standards, develops innovative solutions and offers advisory services to governments, microfinance providers, donors and investors.<sup>3</sup>

In 1995, compelled by the potential of microfinance to reduce poverty on a sustainable basis, nine leading donors and practitioners formed CGAP to develop and share best practices, set standards, and develop technical tools and models. Over time, CGAP has become a recognized resource for the industry, providing services and information to a wide array of actors engaged in building inclusive financial systems. Originally established as a three-year program, CGAP was renewed for five-year periods in 1998, 2003, and 2007.

Since its inception, CGAP has played a pivotal role in developing a common language for the microfinance industry, catalyzing the movement toward good practice performance standards and building consensus among its many and varied stakeholders. Now, in its fourth phase (CGAP IV: July 2008-June 2014), CGAP is supported by more than 30 bilateral and multilateral development agencies, private foundations, and international financial institutions.

### CGAP and the Evolution of the Microfinance Sector

Over the past 15 years, as practitioners, donors, academics, and policymakers learned more about the financial needs of poor families in the informal economy, CGAP has broadened its focus – from microcredit, to microfinance, to access-to-finance, and most recently to financial inclusion (see Exhibit 2.1) – and has influenced and adapted to the evolution of this collective market development effort. Similarly, CGAP's roles and comparative advantages have evolved over time. In earlier periods, it was an active funder, a developer of technical tools, a trainer and a technical assistance provider. Over time, other roles have become more dominant; these include serving as an objective convening platform, a knowledge resource center and disseminator, a body relied on to develop standards and guidelines and advocate for change as well as an entity that experiments in new technologies and methodologies that help reach poorer and more remote clients.

**Exhibit 2.1 CGAP and the Evolution of the Microfinance Sector**

Period	Evolution of the Microfinance Sector	CGAP
Microcredit Mid-1990s	Social entrepreneurs in the developing world pioneered new ways of providing credit to poor families in the informal	CGAP took leadership in this period by supporting experimentation with new approaches, providing peer-learning opportunities, and advocating for a sustainable approach to the provision of financial

<sup>3</sup> CGAP Reference Manual, 2010, p.6

Period	Evolution of the Microfinance Sector	CGAP
	economy.	services for the poor.
Late 1990s	The industry focused on scaling up microcredit and professionalizing the sector.	CGAP professionalized the industry by building consensus around good practice standards and transparency. It also created new data sources such as the MIX information exchange.
<b>Microfinance</b> Early 2000s	Recognizing that poor families are producers (who need access to financial services to invest, generate income, and build assets) and also consumers (who need to manage irregular income and expenses and manage risk), the field started to work towards providing a broader range of services such as savings and insurance.	CGAP led many changes in this period. It supported CBOs to offer savings, worked with commercial banks to reach lower-income customer segments, and launched a micro-insurance working group that eventually became a network.
<b>Access to finance</b> Mid 2000s	The cost of service for small transactions was recognized as a major hurdle for the poor, particularly in remote areas. Cell phones and other technology-based solutions provided ways to significantly increase reach and lower delivery costs.	CGAP took the lead by providing targeted support to business model innovations using technology and created and shared knowledge on branchless banking.
<b>Financial Inclusion</b> Late 2000s – to date	Market saturation with short-term microcredit loans led to episodes of over-supply and over-indebtedness. The microfinance community realized the need to re-focus on clients, consumer protection, and financial literacy. Policymakers realized the importance of a more inclusive financial system with more linkages between the informal and mainstream financial systems and players.	CGAP was instrumental in helping the microfinance sector develop a responsible finance agenda. It supported global and national policy makers as they turned their attention to building inclusive financial systems.  CGAP made clients a more explicit and central programming focus, declaring that “ <i>clients are at the centre</i> ”.

## 2.3 CGAP Mission, Objective, Strategy and Roles

### Mission

CGAP’s long-term mission is to advance financial access for the poor.

### CGAP’s Overall Objective

CGAP’s overall objective is to create and share as a public good practically relevant knowledge to materially advance access to financial services for the poor.<sup>4</sup>

### CGAP Strategy

CGAP’s mission is operationalized through a five-year strategy which sets out the broad strategic directions for CGAP. CGAP’s strategy is intended to serve as a general compass for its work and is supplemented by an annual workplan with key priority areas and specific activities that CGAP proposes to undertake in a specific fiscal year.

<sup>4</sup> Described as CGAP’s **role** in the CGAP Annual Workplan FY2012; identified in this report as CGAP’s implicit overall objective to avoid confusion with CGAP’s three key implementation roles described below.

CGAP's most recent strategy (Phase IV 2009-2013) identifies industry-level goals in three thematic areas: **building the financial market infrastructure, fostering enabling policy environments, and improving the effectiveness of microfinance funders**. At the time of this evaluation (2011-12), CGAP was in the process of defining a fourth thematic area and goal, focused on **clients**. The mission and goals of CGAP's Phase IV strategy are outlined in section 2.6.1.

### CGAP Priority Workstreams

At any point in time, CGAP works on 10-12 priority workstreams focused on issues at different stages of maturity and aimed at different outcomes. CGAP's priority workstreams for the period 2009-13 are listed in the sidebar. As CGAP priority workstreams mature and/or there are other industry players interested and ready to take over, CGAP seeks ways to exit and move on to other emerging priorities.

### CGAP Roles

According to the CGAP IV strategy, CGAP has three main roles:

- Advocating for standard setting and adoption of best practices and providing short-term advisory services around standards;
- Providing objective, high-quality market intelligence complemented by sector data and analytics;
- Supporting experimental new approaches, delivery channels and product design.

Given CGAP's overall objective, each of these roles has built-in research, information generation and sharing activities so that the knowledge generated by CGAP can be effectively used by different audiences and have maximum impact. To do this, CGAP develops **engagement or influence models** that are intended to identify the key target audiences, partners, roles and activities associated with each thematic area, priority workstream and/or project as required.

## 2.4 CGAP Governance and Operational Structures

### CGAP Identity

The World Bank Group serves as the administrative host of CGAP and programmatically characterizes CGAP as a Global and Regional Partnership Program (GRPP).<sup>5</sup> GRPPs are programs specific to a certain sector or theme in which the partners contribute and pool resources toward achieving agreed-upon objectives over time; the activities of the program may be global, regional or multi-country (not single-country) in scope; and the partners establish a distinct entity with a governance structure and management unit to deliver

#### CGAP Priority Workstreams (2009-13)

New delivery technologies: Expanding scale, reaching deeper  
 Deposit Mobilization  
 Graduation programs to reach poorer people  
 Transparency around financial performance  
 Transparent disclosure of costs, term and conditions of financial services  
 Transparency around clients reached, benefits and social performance  
 Creating a conducive policy environment  
 A broader microfinance policy agenda  
 Political economy of policy reform  
 Measuring the quality of aid  
 Monitoring funding flows and exploring optimal roles

<sup>5</sup> At the time of writing, the World Bank does not have a definition of host or a clear policy on hosting arrangements.

these activities. In this context, CGAP is one of the Bank's 120 GRPPs which together represent approximately US \$7 billion expenditures annually.<sup>6</sup>

The World Bank's financial contribution to CGAP is made through its Development Grant Facility (DGF) the purpose of which is to provide direct grant support for innovative Global Partnership Programs that are of high value to World Bank client countries but that cannot be supported adequately through regular Bank country assistance operations or its economic and sector work.<sup>7</sup> The DGF enables the Bank to

### DGF program objectives

Encourage innovation through provision of seed money and support for cutting edge approaches.

Catalyze partnerships through convening and building coalitions, and raising funds.

Broaden Bank services and increase the effectiveness of country programs and projects.

Source: <http://web.worldbank.org/>

participate with partners in funding GRPPs that support the supply of critical global public goods. The DGF was once the umbrella facility for all of the Bank's grant financing arrangements. A number of GRPPs have left the DGF umbrella but continue to be funded by other Bank resources.<sup>8</sup>

As per the CGAP Charter, CGAP is not an independent legal entity, but a group of seven trust funds managed by the World Bank. Bilateral trust fund agreements between CGAP members and the World Bank govern CGAP. These agreements delegate to the World Bank the role of execution and oversight of CGAP. Approximately 20 donors contribute to one of the seven trust funds. Other donors with specific reporting requirements and/or that are unable to co-mingle funds, contribute through individual trust funds that accommodate more specific needs.

## CGAP Governing and Management Bodies

According to CGAP's Charter, CGAP has an autonomous governance structure that consists of the Council of Governors (CG) of member donors, the Executive Committee (ExCom), and the Investment Committee (IC). CGAP activities are supervised by the Senior Management Team and implemented by the Operational Team in collaboration with a wide network of partners across the world

**The Council of Governors (CG)** is CGAP's highest governing body. CGAP has 33 members consisting of representatives of bilateral and multilateral agencies, regional development banks, development finance institutions (DFIs), and private foundations. Although the exact definition of a CGAP member is not present in CGAP documents, the CG is open to funding organizations with mandates to promote the public good and who provide core funding in cash to carry out CGAP's operations. Each CGAP member has one vote (even if represented by two representatives).

The Council of Governors is responsible for:

- 1) Setting policy and approving strategy
- 2) Electing four ExCom members from the CG on a constituency basis

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<sup>6</sup> The World Bank's Involvement in Global and Partnership Programs: An Independent Assessment (World Bank, 2011) p. xvii -viii. The Bank contributes approximately 2.5% of total annual expenditures from its administrative budget and the DGF, and is the largest trustee, handling about 80% of trust fund resources (US \$5 billion annually).

<sup>7</sup> The external website of the World Bank (<http://web.worldbank.org/>)

<sup>8</sup> The World Bank's Involvement in Global and Partnership Programs: An Independent Assessment (World Bank, 2011) p. xvii

- 3) Electing four at-large ExCom members (practitioners, policy makers, etc.)
- 4) Confirming the appointment of the Executive Director of the CGAP Operational Management Team
- 5) Adopting CGAP consensus documents
- 6) Amending the CGAP charter
- 7) Providing input to the annual workplan, budget, and annual report
- 8) Requesting external audits in compliance with bilateral agreements if needed

As outlined in the updated 2010 Charter, CGAP members shall be committed to adopt and actively promote implementation of standards and good practice principles of effective support to microfinance as outlined in the suite of CGAP consensus documents, including *Good Practice Guidelines for Funders of Microfinance* (October 2006, 2<sup>nd</sup> edition) or successor documents to be agreed upon. They must participate actively in the CGAP Annual Meetings through representatives who have the necessary influence and knowledge to promote the dissemination and uptake of good practices within their respective organizations. And they shall agree to open the organization to sharing experiences with other funders, including providing aggregate information on its portfolio of microfinance activities, reporting on how it is applying the consensus documents, and providing contact information for all staff working in microfinance or access to finance.

According to the CGAP Charter (2010), donors that were members of the CG prior to 1 July 2008, who are currently unable to meet membership criteria (i.e., unable to donate funds to CGAP's core budget) will become non-voting members of the CG and will not have representation by a constituency or an ExCom member. CGAP will continue to collaborate with these organizations, many of whom are key partners for CGAP's operational work. At the time of writing, CGAP had four non-voting members.

**The Executive Committee (ExCom)** functions as CGAP's board and executive governing body. It is composed of eleven members: five are elected from the CG, four are elected from among a short list of at-large candidates, one is appointed by the World Bank to represent the World Bank Group, and the CGAP Executive Director is an ex-officio member of the ExCom. CG ExCom members serve a term of two years, and up to one additional year. At-large ExCom members serve a three-year term, renewable once.

According to the CGAP Charter, the ExCom has oversight of CGAP's activities and is responsible for:

- 1) Supporting the CGAP Operational Management Team with strategic guidance
- 2) Sharing in responsibility and accountability for carrying out CGAP's strategy
- 3) Attending CGAP's Annual Meeting and ExCom meetings (at the moment, there are two additional 1.5 day meetings outside of the Annual Meeting)
- 4) Approving new members, workplans, and budgets after consultation with the CG and management
- 5) Determining voting status of members based on membership criteria established by the CG
- 6) Proposing amendments to the Charter, when necessary, for approval by the CG

**The Investment Committee (IC)** provides fiduciary oversight and is composed of nine to fourteen members (including the Chair) designated by the World Bank. The majority of IC members are senior-level World Bank staff, and at least one member must be from the World Bank Legal Vice-Presidency, the Executive Committee, and the CG.

The IC approves external grants over \$250,000 and approves, on a non-objection basis, external grants between \$100,000 and \$250,000. Its other responsibilities include:

- 1) Taking fiduciary responsibility for CGAP's grants to external entities
- 2) Providing advice on and endorsement of CGAP initiatives submitted to the IC

- 3) Being available to meet several times a year as needed
- 4) Ensuring adherence of grants to the criteria and the overall strategy established by the CG
- 5) Reporting on investment decisions to the ExCom

At each IC meeting, CGAP presents a short overview on the performance of current open commitments (CGAP Reference Manual, 2010, p.14).

**Chief Executive Officer (CEO)** – According to the CGAP Charter (2010), CGAP’s Chief Executive Officer (or Executive Director) responsibilities include strategic direction, forward planning, personnel decisions, liaising with the ExCom, and approvals of grants or projects up to \$100,000. He works closely with CGAP’s Senior Management Team (SMT) to ensure that CGAP’s activities are consistent with its mission and carried out both efficiently and effectively. The CEO is also a director of the World Bank. The CEO changed in October 2010.

**The Senior Management Team (SMT)**<sup>9</sup> currently consists of the heads of CGAP sections (Clients, Technology and Business Model Innovations, Government and Policy, Donors and Investors, Knowledge Products and Communications, and Corporate), the CEO, and select other individuals who together are responsible for implementing the strategy endorsed by the CG under the direction of the CEO. Members of the SMT are first considered leaders of the whole of CGAP, and only second as leaders of their respective teams. At the discretion of the CEO, preconditions for membership to the SMT include: management responsibilities for both staff and budget, responsibility for a significant CGAP-wide service or topical area, and a direct reporting relationship to the CEO.

**Operational Team** – CGAP’s work is implemented by the Operational Team, which is headed by the Executive Director and CEO with support from the Senior Management Team. According to the 2010 CGAP Reference Manual, the Operational Team is organized according to CGAP’s major concentrations: developing a wide range of financial and nonfinancial institutions serving the poor, reaching poor and unserved clients and ensuring a positive impact on their lives, improving the quality and availability of technology and information, enhancing the policy and regulatory framework, and improving donor effectiveness. At 31 December 2011, CGAP’s Operational Team had a total of 41 staff members.

**CGAP Thematic and Regional Teams:** CGAP is divided into six thematic teams (see organizational chart in Exhibit 2.2); the newest is the Clients Team created in 2011 as a result of the Executive Committee decision in February 2011 to develop a better understanding of client demand. Additionally, there are Regional Representatives responsible for 1) gathering market intelligence on trends, main players, issues, challenges, and key people to help shape CGAP’s engagement in that region; 2) communicating CGAP messages in the region through relationships with microfinance sector stakeholders, conferences, funder meetings, and media, and by distributing CGAP publications; 3) building up and maintaining useful working relationships with strategic partners for CGAP including donors and investment funds, apexes, government officials, regulators, etc.; 4) serving as focal points for CGAP’s thematic teams for their regions.

**CGAP Offices:** The Operational Team is based in Washington, DC. CGAP has an office in Paris, France that focuses primarily on aid effectiveness. CGAP has regional representatives in East/Southern Africa, MENA, ECA, and South Asia; some of these positions are filled by CGAP staff and others by part-time consultants.

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<sup>9</sup> In some CGAP documents this is referred to as the Operational Management Team.

Exhibit 2.2 CGAP Organizational Chart



## 2.5 CGAP Financial Profile

CGAP operations and activities are financed through CGAP members’ contributions, designated funding provided by its members and other organizations, as well as through a relatively small amount from interest income and foreign exchange gains (for detailed amounts see Exhibit 2.3).

**Member contributions:** According to CGAP’s Charter (2010), its members are required to provide a minimum annual contribution of US\$250,000 to support CGAP’s core programming costs (a.k.a. core funding). Members are not permitted to make other types of financial contributions to CGAP unless they contribute to core funding; exceptions to this rule have been made to accommodate a few members that are unable to comply with CGAP requirements.<sup>10</sup>

**Core Funding:** Contributions by members in cash. These contributions are unrestricted such that CGAP can choose how to spend the funds.

**Designated Funding:** Funds designated for a specific project or purpose. These funds reduce core budget expenses and allow for faster or deeper work due to leveraged funding.

In FY2011, member contributions for CGAP’s core support ranged from US\$100,000 to US\$3.3 million (the latter from the World Bank) and 75 per cent (21 out of 28) were under \$500,000.<sup>11</sup> Core funding donations from members accounted for 68 per cent of total revenues during FY2011.

**Designated Funding:** Designated funding has become an increasingly important revenue source to CGAP since FY2007 as shown in Exhibit 2.3. However, according to *Funding Beyond Core* (an internal guideline revised October 2011), funders must provide core funding unless a legal restriction makes it impossible for them to do so. During FY2011 designated funding donations accounted for 29 per cent of total revenues.

<sup>10</sup> One example is the Ford Foundation which is unable to contribute to CGAP directly due to conflicting WBG/Ford Anti-Money Laundering/ Combating of Financial Terrorism (AML/CFT) language. Instead, Ford supports CGAP initiatives via direct payment to receiving organizations.

<sup>11</sup> CGAP’s Projected Total Donor Contributions to CGAP Budget FY2009 to FY2013 (December 2011)

**Interest income: and foreign exchange adjustments:** CGAP also receives a small portion of revenues through interest income, which varies by year, as well as foreign exchange adjustments which are the difference between the previous years' financial statements and the actual U.S. dollar value of the contribution when it is finally converted to U.S. dollars. For FY2009, FY2010 and FY2011 these amounts equalled US\$1,619,000; US\$1,195,000; and US\$224,000 respectively. During FY2011, interest income and foreign exchange adjustments accounted for 1 per cent of total revenues.

### Annual Revenues

In order to present CGAP financial data revenues from Phase IV, as well as reflect on and compare revenues from Phase IV with Phase III, Exhibit 2.3 provides data from FY2004 to FY2011 and projections for FY2012.

CGAP's annual revenues varied during Phase III and Phase IV but increased overall and this is estimated to continue in FY2012. Member core contributions and designated funding also varied by year during the period. Designated funding increased significantly from 2004 to 2008 but has since decreased considerably.

The World Bank has been CGAP's largest financial contributor throughout its history. While it initially provided the bulk of CGAP resources, it adopted a deliberate strategy at the beginning of Phase III to reduce CGAP's reliance over time. In keeping with this strategy, its share of CGAP's core funding decreased from 33 per cent in FY2009 to 25 per cent in FY2011 and is projected to decrease to 22 per cent in FY2012 and 19 per cent in 2013.

### Annual Expenditures

In Phase III (2004-2008), CGAP's expenses exceeded revenues in all years except FY2007. Expenses can exceed revenues as long as CGAP's operating reserve balance remains at six months of its projected annual operating costs; however, since 2010 CGAP has tried to manage expenses against revenues on more of a one-to-one basis (zero-based budgeting). During Phase IV, CGAP has generally managed its budget against anticipated revenues (see Exhibit 2.3) and revenues exceeded expenses in both FY2009 and FY2011. A budget overrun in FY2010 was partially attributable to a donor commitment of US\$1.4 million over two years (receivable in 2010) which was later cancelled, as well as costs associated with staffing commitments for extended term consultants (ETC). The FY2010 budget overrun was funded out of operating reserves.

### Operating Reserves

CGAP has a policy to maintain an operating reserve balance that is the equivalent of six months of operating costs. This practice was established for cash flow management and for business continuity in the unlikely event that there are shifts in donor contributions, commitments, and disbursement timelines. As shown in Exhibit 2.3, CGAP has respected this policy over time.



**Exhibit 2.3 Profile of CGAP Revenues and Expenses (2004-2012) in USD <sup>12</sup>**

<b>Funding Source</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012 (estimated)</b>
Member contributions to core funding	12,167,588	13,518,029	12,382,767	12,003,341	10,770,495	12,118,000	13,202,000	13,298,000	13,446,000
Designated funding	825,000 IFAD, Ford Foundation	1,465,773 European Commission, IFAD and Argidius Foundation	1,700,460 European Commission, IFAD and Sweden	7,512,922 European Commission, France, Gates Foundation and Sweden	13,746,630 European Commission, France, Gates Foundation and Sweden	3,910,000 United Kingdom, Gates Foundation, France and Italy	6,593,000 Gates Foundation, DFID, AFD	5,639,000 Gates Foundation, DFID, World Bank and AFD	6,607,000
Interest income and foreign exchange gains	209,535	777,663	1,151,567	2,264,386	3,309,735	1,619,301	1,195,000	224,000	300,000
<b>Total Revenues</b>	13,202,123	15,761,465	15,234,794	21,780,649	27,826,860	17,647,301	20,990,000	19,581,000 <sup>13</sup>	22,300,000
<b>Total Expenses</b>	19,788,177	17,782,544	16,596,909	18,511,283	31,428,433	15,241,934	23,426,000	19,200,000 (at June 2011)	21,600,000
<b>Total Operating Costs</b>	5,324,845	6,027,400	8,574,639	8,215,322	9,571,294	10,844,374	11,614,780	11,428,908	11,121,169
<b>Operating Reserve</b>	9,606,136	8,216,701	6,900,779	9,939,778	6,676,214	9,081,212	6,600,000	7,000,000	8,300,000

<sup>12</sup> Data taken from published Annual Reports and CGAP Financial Statements provided by CGAP on 1 December 2011

<sup>13</sup> Includes FPDVP Administrative fee transfer of US\$420,000

## 2.6 CGAP Phase IV

### 2.6.1 Vision, Mission, Goals and Outcomes<sup>14</sup>

According to CGAP's Phase IV strategy and the *CGAP Results Framework (2009-2013)*, the Phase IV **vision** is to help to build financial systems that work for the poor and the Phase IV **mission** is to "Build efficient and equitable local financial markets that are integrated into the mainstream financial system and that serve all the unbanked, including very poor and harder-to-reach clients with ever more innovative, convenient, and affordable financial services."

It should be noted that these CGAP Phase IV statements are distinct from CGAP's overall mission and objective statements as described in Section 2.3 above, a matter that is addressed in Section 4.5.1.

In congruence with the CGAP IV mission, CGAP identified three market level goals and in September 2010 updated Goal 3 to include success metrics and activities (see sidebar). In early 2012, CGAP was in the process of defining a fourth goal and related outcomes for its newest priority area related to Clients.

Under each goal there are also a set of **expected outcomes** (see Exhibit 2.4) with outcome indicators and corresponding outputs.

#### CGAP Phase IV Market Level Goals

*From CGAP Results Framework (2009-2013)*

**Goal #1: Financial Market Infrastructure:** A more efficient financial market infrastructure for poor people to make small value financial transactions

**Goal #2: Governments & Policy Makers:** More supportive policy environments, balance increased access, financial stability, and the protection of poor clients

**Goal #3: Donors & Investors:** The effectiveness of funding for access to finance is improved such that:

- Diverse funding sources are complementary so that all market segments are reached
- Funders' programs contributed to the development of local funding markets
- There is increased transparency and performance of programs/investments

#### **Goal #3 updated in September 2010 to include 3 sub-Goals:<sup>15</sup>**

1. **Funding sources are complementary/ responsible.** Success metric: Stakeholder and MFI perceptions about funder behaviour.
2. **Local funding markets are supported by foreign funders.** Success metric: The impact of donor/SRI (socially responsible investment) funding on savings mobilization.
3. **Public and other socially responsible funders push the frontier.** Success metric: Transparency on where money from public and other SR funders is going. Note: The frontier includes income, vulnerability and breadth of service dimensions.

<sup>14</sup> In this report, we have adhered to the terminology used in the CGAP IV Results Framework to describe CGAP IV goals, vision and mission. As discussed in Section 4. 5.1, CGAP may wish to review and revise the terms it uses to describe and distinguish its program from the overall raison d'être of the CGAP entity.

<sup>15</sup> At the time of writing, these changes had not been formally approved by the CG.

**Exhibit 2.4 Summary of CGAP IV Goals and Outcomes**

	<b>GOAL 1: Financial Market Infrastructure</b>	<b>GOAL 2: Governments &amp; Policy Makers</b>	<b>GOAL 3: Donors &amp; Investors</b>
<b>Outcomes</b>	<b>1.1</b> Viable models for financial services that deliver clear benefits to poor people are demonstrated and ready for adoption by mainstream financial institutions by 2013	<b>2.1</b> Governments adopt improved policies with regards to access to finance or they avert undesired policies	<b>3.1</b> Standardized social and financial performance information on major funders is accessible
	<b>1.2</b> Increased emphasis on financial and social performance through industry norms and new and expanded information sources	<b>2.2</b> Policy makers/ regulators/ supervisors have an increased ability to work towards and/or execute improved policies	<b>3.2</b> Funders' internal capacity to support microfinance effectively is improved
		<b>2.3</b> The microfinance field is informed about relevant microfinance policy options and solutions (including both potential positive and negative ramifications of policies)	

## 2.6.2 CGAP Projects

Some CGAP outcomes are implemented through a number of projects as shown in Exhibit 2.5 below. The third column labelled "Project Value" shows the total value of the project and the value of the portion, if any, that was managed by one of CGAP's external implementing partners (i.e., grant recipient).

**Exhibit 2.5 Profile of CGAP Projects and Outcomes (CGAP IV)<sup>16</sup>**

<b>Project</b>	<b>Funding Partners</b>	<b>Project Value (USD)</b>		<b>Supports CGAP Outcome No. (see Exhibit 2.4)</b>
		<b>Total value</b>	<b>Grant amount<sup>17</sup></b>	
Technology Program	Bill & Melinda Gates Foundation, DfID	6,663,650	2,511,696	1.1
Information Systems Program	EU/ACP	324,936	221,239	1.1
Youth Save Initiative	MasterCard Foundation	195,267		1.1
Graduation Program	Ford Foundation	263,812	183,107	1.1
Microfinance Management Institute (Microfinance MBA)	Open Society Institute	284,115	284,115	1.2
Capacity Building Activities in Francophone Africa (CAPAF)	AFD	201,935		1.2

<sup>16</sup> Other CGAP projects underpinning outcomes for FY11 include: Data research and analytics, \$1m; and Knowledge products and communications, \$1.8m.

<sup>17</sup> The difference between this amount and the total value represents the value of the CGAP managed and executed portion of the project.

Project	Funding Partners	Project Value (USD)		Supports CGAP Outcome No. (see Exhibit 2.4)
		Total value	Grant amount <sup>17</sup>	
Support to and governance of the MIX	Citi Foundation, Bill & Melinda Gates Foundation, Omidyar Network and others	456,719	400,000	1.2
Responsible Finance: Transparency of MFI (Social Performance Transparency)	Michael and Susan Dell Foundation, Ford Foundation	79,301		1.2
Regulation and supervision for financial inclusion		23,679		2.1; 2.2; 2.3
Policy and regulation for branchless banking	Bill & Melinda Gates Foundation, DfID	221,659		2.1; 2.2; 2.3
Responsible Finance: Consumer protection and Financial capability (CP)		97,421		2.1; 2.2; 2.3
Trends in policy interventions		9,352		2.3
Central Bank of the West African States (BCEAO) project	Sida, UNCDF	270,604	250,000	2.1; 2.2; 2.3
Transparency of funding (D&I)		374,864		3.1
Quality of Funding (D&I)		411,607		3.1; 3.2

## 3. Context

### 3.1 Overview

CGAP and its programs are affected by the various contexts in which CGAP operates, including the global context and the market context. Each of these is described below. This chapter does not provide an analysis of CGAP or evaluation findings, but rather the contextual information required to understand the findings that follow in chapters 4 and 5.

### 3.2 Global Context

In the three-year period from July 2008 to July 2011 a range of changes in the political, social, and economic contexts have had effects on CGAP and/or its target groups.

#### The Global Financial Crisis

The recent global financial crisis (GFC) is considered by many economists to be the worst since the Great Depression of the 1930s. Whilst the causes are still debated, it resulted in the collapse of large financial institutions, the bailout of banks by national governments, and downturns in stock markets around the world. Some developing countries that had experienced strong economic growth saw significant slowdowns in their economies.

While microfinance institutions (MFIs) and the microfinance sector emerged relatively unscathed from prior financial crises (e.g., the Asian Financial Crisis in 1997), the microfinance sector is now more linked to domestic and international financial markets. Many MFIs rely on mainstream wholesale bank funding and some on even more sophisticated instruments such as securitization. In addition to traditional donors to microfinance, large numbers of other types of investors (such as cooperatives, credit unions, telecommunication companies [Telcos] and insurers) have entered the microfinance market. CGAP, among others, has suggested that the GFC will impact MFIs and that the likely effects will be more complex, deeper, and more difficult to predict than in the past.<sup>18</sup>

In March 2009, with support from the MIX Market, the Microcredit Summit Campaign, and large MFI networks, CGAP surveyed over 400 MFIs to monitor the impact of the GFC.<sup>19</sup> Whilst the crisis and its effects differed from country to country, CGAP concluded that many MFIs were experiencing trouble accessing debt funds and that their microcredit portfolios were stagnant or shrinking after years of growth. On the clients' side, sustained high food prices and massive job losses were found to be hurting clients most, with many prioritizing food expenditures and having difficulties repaying loans. Other studies arrived at similar conclusions.

Finally, the global financial crisis fuelled some scepticism about, and distrust of, the financial industry more generally. This issue, and the possible ramifications for the microfinance sector, have arisen again with the current crisis in the Euro zone and "Occupy Wall Street" and other protests around the world, although these came to a head after July 2011.

<sup>18</sup> Focus Note 52, "The Global Financial Crisis and Its Impact on Microfinance", February 2009

<sup>19</sup> Brief, "The Impact of the Financial Crisis on Microfinance Institutions and Their Clients", May 2009

## Access to financial services

The growth of microfinance over the three-year period can best be judged from surveys, such as the Microcredit Summit Campaign (MSC)<sup>20</sup> and information collected by the MIX. The MFIs reporting to the MSC (approximately 3,500) reported that the number of poor families they were reaching had grown from 106 million in December 2007 to 137 million at the end of 2010 (a 29.2 per cent increase), with total MFI clients increasing over the same period from 155 to 205 million.

The MIX also shows an increase in loan and savings clients over their past three fiscal years (30 June 2007-2010).<sup>21</sup> As shown in Exhibit 3.1, the combined gross loan portfolios of reporting microfinance providers (currently more than 2,000) increased by 86.6 per cent, combined deposits grew by 68.3 per cent, and the number of active borrowers and savers grew, albeit at slower rates. As the MIX relies on voluntary data reporting, its data are not comprehensive for the microfinance industry, but are a relevant indicator of growth.

**Exhibit 3.1 MIX Market Information, 2007-2010<sup>22</sup>**

MIX Market Information	As of FYE 2007	As of FYE 2010	Increase	Percentage Increase
Assets (\$)	\$46.8 billion	\$68.7 billion	\$21.9 billion	46.8%
Gross Loan Portfolio (\$)	\$38.0 billion	\$70.9 billion	\$32.9 billion	86.6%
# Active Borrowers	\$68.1 million	\$98.2 million	\$30.1 million	44.2%
Deposits (\$)	\$24.3 billion	\$40.9 billion	\$16.6 billion	68.3%
# Depositors	\$58.8 million	\$66.5 million	\$7.7 million	13.1%

The publication *Financial Access 2010* reports that the number of deposit accounts per 1000 adults increased by 4.3 per cent from 2008 to 2009, while commercial bank deposits/GDP declined by 11.8 per cent, indicating the existence of more small value accounts on a global level.<sup>23</sup>

The increase in financial inclusion of the poor was likely substantially higher than this, given that there are an increasing number of banks and other financial institutions that now offer microfinance-type products that are not included in the above figures. The growth of branchless banking has also had an impact on financial access for the poor. Through partnerships, CGAP has supported branchless banking outreach to approximately 3 million clients to date, some of whom are served through the MFIs included above.

Microinsurance is also growing, further increasing financial access and deepening. According to the Microinsurance Network, the number of low-income insured is approaching a half billion people worldwide as of 2011.<sup>24</sup>

<sup>20</sup> Maes, Jan P and Larry R Reed, "State of the Microcredit Summit Campaign Report 2012", November 2011

<sup>21</sup> At the time of writing, information on 2011 was not available.

<sup>22</sup> Based on 893 reporting institutions as of FYE 2010

<sup>23</sup> CGAP/World Bank, 2010. "Financial Access 2010: The State of Financial Inclusion through the Crisis"

<sup>24</sup> See <http://www.munichre-foundation.org/StiftungsWebsite/Projects/Microinsurance/2011Microinsurance>

## New regions opening up for Microfinance

One of the global issues confronting the sector as growth continues (albeit at a reduced rate) is to spur development in the less well served markets. The outreach data produced by the MCS varied between regions, with Asia and the Pacific having the greatest in terms of both numbers of poor families reached (125 million) and the penetration of the total poor (69 per cent). Those with the lowest percentage coverage were Africa and the Middle East (80 million and 11 per cent) and Eastern Europe (3.4 million and 3.7 per cent).

In 2008, recognizing that the microfinance sector in the Middle East and North Africa (MENA) region is lacking, particularly in Islamic countries, CGAP produced a Focus Note<sup>25</sup> indicating that, based on results from a survey and a synthesis of other available data, Islamic microfinance had a total estimated global outreach of only 380,000 customers, accounting for just 0.5 per cent of total microfinance outreach. Over the last three years, the MENA sector has come increasingly into focus with rapid development of microfinance markets, particularly after the “Arab Spring” of 2011. In the aftermath, Tunisia was the first country in which work has been done on the regulatory and policy environment.

Another related issue is the continuing advancement and development of Brazil, Russia, India, China and South Africa (often referred to as the BRICS). Whilst all have been active with respect to microfinance (particularly India and less so China), in the last three years China, India and Brazil have emerged as donors. This has potential implications in a number of areas, such as whether donors will continue to fund programs in those countries. In the other direction, some commentators are concerned that these new donors may not share the same agenda as existing members of CGAP and other global organizations, which could make governance and driving a common vision more difficult.

### 3.3 Market Context

Changes in the global, regional and local contexts over the past three years have affected the entire landscape of financial services for the poor. These include: the use of new technologies with the potential to dramatically reduce the cost of delivering services to poor clients; the expansion of products offered to the poor; the entry of new types of financial service providers; and the changing role of (and new types of) donors and investors as markets mature. Underpinning all of this has been a broadening of the focus of the market, away from a supply-side emphasis and towards providing clients with the range of products and services they need.

The wider context was also marked by several events including a few examples of overheated credit markets (Morocco, Bosnia, Nicaragua), which further emphasized the limitations of a supply-driven approach and importance of consumer protection, and both positive and negative changes in the awareness of, and interest in, microfinance and expanding access to finance. These key trends, issues, events, lessons and challenges are examined below.

### New Technologies

The dramatic growth in the use of mobile phones has offered an exciting way to expand financial services. In the three years from the end of 2007, the number of mobile phone subscribers in the world increased from 3.3 billion to 5.3 billion.<sup>26</sup> At the same time, the number in developing countries nearly doubled from 2.1 to 4 billion. In many African countries there are now more phones than bank accounts.

<sup>25</sup> Focus Note , “Islamic Microfinance: An Emerging Market Niche”, August 2008

<sup>26</sup> International Telecommunications Union: [http://www.itu.int/ITU-D/ict/statistics/at\\_glance/KeyTelecom.html](http://www.itu.int/ITU-D/ict/statistics/at_glance/KeyTelecom.html) downloaded on 8 December 2011

Initially this was seen as a way to provide remittances, using pre-paid telephone credits as a form of currency. However, now the technology is developing to the stage where many other services, such as loans and savings, can be offered via mobile phones and the potential is being exploited by banks, MFIs, mobile operators and many others to reach the mass market. In particular, bank branches are being replaced and/or supplemented with “branchless banking”. (The term refers generally to the linking of technology with agents, typically merchants, who handle deposits and withdrawals and are connected via mobile or card-swipe point of sale terminals.)

The potential of branchless banking continues to be explored. However, as part of the industry context, the subject does raise many challenges and opportunities. Regulation of branchless banking is an emerging area, and with non-banks now offering financial services a number of new challenges have emerged for regulators –not least co-ordinating regulation between financial regulators and the telecom regulator. Another key question is whether these services are reaching the poor.

### New Products

When microfinance was first pioneered, it was generally limited to simple loans to solidarity groups with short-term and regular repayments (or microcredit). Any savings products offered were normally for the purpose of collateralizing a related loan. Now “microfinance” is used as a collective noun to cover a diverse range of product and services.

**Exhibit 3.2 Evolution of Microfinance Products and Services**

Original Products	New Products	New Services
Short Term Group Loans Individual Loans Simple Savings Products	Longer Term Loans Agricultural Loans (i.e., irregular repayments) Specific Purpose Loans (e.g., housing , building improvements, schooling) SME Finance Micro Leasing Term Deposits Cheque and Current Accounts	Remittances Payment Services Money Transfers Foreign Exchange Microinsurance Business Development Services

Microinsurance provides a good example of this expansion. It is like regular insurance, offered for a wide variety of risks, but with a focus on lower income groups in terms of cost, terms, coverage and delivery. Microinsurance is recognized as a useful tool in economic development. If those on low incomes do not have access to adequate risk management tools, they are vulnerable to fall back into poverty in times of hardship. Normally, these products are developed by financial service providers and offered to their clients in partnership with insurance companies.

The risks covered include: health (illness, injury, or death) and property (damage or loss). The original and most common forms of microinsurance are ‘Credit Life’ and ‘Term Life’. However, the variety of microinsurance products existing to address other risks is increasing, including crop insurance, livestock/cattle insurance, insurance for theft or fire, health insurance, death insurance, disability insurance and insurance for natural disasters.<sup>27</sup>

<sup>27</sup> The latter has spurred index-based Weather Insurance. This revolutionary product provides protection against crop failure caused by drought or excess rain and enables farmers to access credit in order to purchase quality seeds and fertilizers in order to maximize output. By linking farms to local weather stations and introducing an automatic payout process, farmers are not required to file a claim or go through an expensive loss verification process in the event of crop failure.



Microinsurance is still a relatively new field, in the experimental stage. The key is to balance adequate protection and affordability.<sup>28</sup> However, the potential of the market is huge. Leapfrog Investments estimates that only 135 million people in the world are adequately insured, with another 1.5 to 3 billion people lacking access to insurance services. Swiss Re estimates the total microinsurance market to be potentially worth \$40 billion.<sup>29</sup>

## New Players

As a result of the changes noted in the previous two sections, many new financial service providers are entering the market. Whilst microfinance was devised primarily because banks would not lend to the poor, many of those same financial institutions now see the commercial potential at ‘the bottom of the pyramid’. There is also growing recognition that some other types of financial institutions can play an important role, such as cooperatives, credit unions, and community banks. In addition, non-banks, such as Telcos and insurers, are also coming into the market. This, in turn, has implications for existing financial service providers, who must enlarge their suite of products and services to compete (either by expanding or through partnerships) or decide to be niche operators only.

At the funding end, banks are supporting the institutions providing microfinance services, through wholesale lending and other facilities. In addition, new types of investors continue to enter the market. Public funders, such as multilateral and UN agencies, bilateral agencies and development finance institutions (DFIs), continue to dominate the market, but private funders (individuals, private institutions, NGOs and foundations) are growing faster. Just prior to the end of the three-year period, CGAP<sup>30</sup> estimated the amounts committed by public donor investors at \$14.6 billion compared to \$6.7 billion for private investors, but the latter grew at 33 per cent in 2009 compared to a slower rate of growth of 11 per cent for the former.

The number of Microfinance Investment Vehicles (MIVs) has increased over the three years from around 75 to 120, and the total assets of MIVs grew from \$3.9 to \$6.4 billion.<sup>31</sup>

Whilst overall returns achieved by the more commercial investors and MIVs have generally not been excessive, substantial returns have been realized by a few. The most notable recent example occurred in July 2010, with the initial public offering (IPO) of SKS Microfinance Ltd (SKS), the largest of the Indian MFIs (more than 7 million clients at the time). The IPO raised \$155 million for SKS and valued the company at \$1.5 billion. Existing shareholders also sold \$195 million worth of stock in the offering, “netting handsome profits.”<sup>32</sup>

The response to the SKS IPO was varied. Some regarded the initial success of the offering (the public offer was over-subscribed 14 times and the shares reached a peak of Rs1400 compared to the Rs985 offer price) as signalling a bright future for microfinance in India in terms of funding and MFI performance. Others focused on the wealth gained by the investors and founders at SKS.

## Recent Studies and Critiques

At the same time, the attention of commentators, investors, donors and others has been increasingly captured by other issues for the poor, such as climate change and food security, and potential

<sup>28</sup> <http://www.cgap.org/p/site/c/template.rc/1.9.2725/>

<sup>29</sup> <http://www.leapfroginvest.com/Opportunity>

<sup>30</sup> Focus Note 70, “Cross-border Funding of Microfinance” April 2011

<sup>31</sup> Microrate, “The State of Microfinance Investment”, 2011

<sup>32</sup> G. Chen et al., “Indian Microfinance Goes Public: The SKS Initial Public Offering,” Focus Note, no. 65 (Washington, DC:CGAP, 2010), [http://www.cgap.org/gm/document-1.9.47613/FN65\\_Rev.pdf](http://www.cgap.org/gm/document-1.9.47613/FN65_Rev.pdf).

interventions that can mitigate these risks. A couple of highly-publicized academic studies using randomized evaluations questioned the claim that microcredit is an effective tool for moving clients out of poverty. Randomized control trials (RCTs) measure the impact of an intervention by comparing a group of people who receive a service, such as a microfinance loan, with a similar group of people who do not. Some parties (such as CGAP) argue that RCTs bring new rigor to microfinance evaluation, and are particularly useful to examine the value to clients of isolated product features. However, a key limitation of the methodology is the short time span of the studies (12-18 months) when used to examine complex issues. Many argue that one would not expect to see impact on education or health, for example, within the 18 months of these studies.

## Recent Events – The Crisis in Andhra Pradesh

India has accounted for 68 per cent of the growth in clients reported to the Microcredit Summit Campaign in recent years. Many of these clients live in Andhra Pradesh (AP), served by the four largest MFIs in the country, as well as a state-supported program that promotes self-help groups (SHGs) and links them to formal financial institutions. By November 2010, SHGs were reaching over 17 million clients in the state and MFIs were reaching more than 6 million. As a result, many clients had loans from several different sources, putting the average microfinance debt per household in AP over \$1,700, compared to less than \$150 per household in the other states of India. One study found that 83 per cent of microfinance clients in the state had loans from more than one source, and many had four or more loans at the same time.<sup>33</sup>

CGAP summarized the situation in AP as market overheating.<sup>34</sup> Although there had been other instances of microfinance markets overheating (e.g., Morocco and Bosnia), in AP there then followed an array of other issues, including allegations of abusive collection practices linked to suicides by microfinance clients. In October 2010, partly motivated by local political issues, the AP government passed “An Ordinance to protect the women Self Help Groups from exploitation by the Micro Finance Institutions in the State of Andhra Pradesh”. This ordinance, among other things, set a limit on the amount that MFIs can lend to their clients, required that loan repayments be made monthly rather than weekly, and mandated all repayments to be made at local government offices. As predicted, the result was chaos: lending from MFIs to their clients stopped, the loan recovery rate came down to less than 10 per cent, and funding for MFIs was frozen.<sup>35</sup>

The crisis reverberated around the world, with many negative articles on microfinance generally and negative perceptions arising in regard to microfinance beyond the crisis in AP. This was captured in the Microfinance Banana Skins Report for 2011 (published by the Center for the Study of Financial Inclusion) which shows that the top risk perceived by the industry is credit risk (as it was in 2009), but that reputational risk rose from #17 to #2 and the risk of political interference from #10 to #5. The

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<sup>33</sup> D. Johnson and S. Meka, *Access to Finance in Andhra Pradesh* (Tamil Nadu, India: IFMR Research, 2010), [http://www.ifmr.ac.in/cmfi/publications/wp/2010/CMF\\_Access\\_to\\_Finance\\_in\\_Andhra\\_Pradesh\\_2010.pdf](http://www.ifmr.ac.in/cmfi/publications/wp/2010/CMF_Access_to_Finance_in_Andhra_Pradesh_2010.pdf).

<sup>34</sup> CGAP summed up the situation (in Focus Note 67, “Andhra Pradesh 2010: Global Implications of the Crisis in Indian Microfinance,” December 2010): “The picture that emerges from the data suggests that households in Andhra Pradesh [had] too many loans and [more] debt than [seemed] supportable considering their income levels and ability to repay.”

<sup>35</sup> Wright, Graham A.N. and Manoj K. Sharma. (December 2010). MicroSave India Focus Note 55. *The Andhra Pradesh Crisis: Three Dress Rehearsals ... and then the Full Drama*.

MicroCredit Ratings International Limited. (November 2011). *M-CRIL Microfinance Review 2011 – Anatomy of a Crisis*.

increase in the perception of risks associated with microfinance is sourced largely in the growing concerns about consumer protection, which is dealt with in following sections of this report.

## **Moving from Supply Side Analysis to Financial Inclusion**

In the early years of the microfinance industry, it was arguably justified to focus on building MFIs and moving them to commercialization in order to ensure sustainability. However, recent growth of the sector has meant some markets have become more competitive. For these and other reasons, over the last three years, there has been a need for increasing analysis on the demand side and work on policies, regulation, standards, business models, and client protection, at both the global and regional levels.

Put another way, over the past few years, many industry stakeholders have gradually shifted their focus from one that concentrated on microfinance to a broader focus on financial inclusion.

Initiatives have emerged to address the field's challenges, including: responsible finance (e.g., the Smart Campaign on client protection) and social performance management and measurement (e.g., reporting standards of the Social Performance Task Force).

CGAP has also focussed on financial inclusion. In launching its Financial Access Report in 2009, CGAP used a simple definition of financial inclusion: "providing access to financial services for all". More recently, CGAP has adopted the G20 definition: "Access to payments, insurance, credit and savings delivered by formal providers conveniently and responsibly at a sustainable price for provider and affordable cost to clients." Others have also expanded the terminology over the last three years. For example, one paper suggested that the topics relevant for a financial inclusion agenda include: consumer protection, financial capability, regulation of microfinance, promotion of savings, promotion of access to finance for small and medium enterprises (SMEs), and promotion of rural finance.<sup>36</sup> Moreover, new international bodies have emerged over the last few years, such as the Alliance for Financial Inclusion (AFI), whose primary objective is to advance financial access for the world's poor. Other existing bodies, such as the International Monetary Fund (IMF) and the International Finance Corporation (IFC), are also increasingly paying attention to this debate: The IMF has launched a new database on financial inclusion, and the IFC has been working with CGAP and AFI in the G20 discussion around financial access for households and SMEs. In addition, the IFC and the World Bank have created a new Financial Inclusion Practice within a joint Financial and Private Sector Development organizational structure.

One of the key issues considered in this report is the extent to which CGAP has been able to anticipate and respond to changes in its external context over the past three years, in a relevant, effective and sustainable way, particularly at a time when other global organizations have also entered the space.

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<sup>36</sup> Ardic, OP, M Heimann and N Mylenko. *Access to Financial Services and the Financial Inclusion Agenda around the World: A Cross-Country Analysis with a New Data Set*. World Bank and CGAP.

## 4. Overall Performance of CGAP

### 4.1 Introduction

CGAP is viewed by stakeholders and encouraged by members to act as an industry leader and like a permanent institution with a longer-term mission. In its financial and organizational management it acts accordingly. Therefore, while subsequent sections examine CGAP's performance in terms of the CGAP IV Results Framework, this section summarizes CGAP stakeholders' broader views on its overall relevance, developmental and operational performance in the financial inclusion space.

The following sections present findings on CGAP relevance, effectiveness, sustainability, management (design, implementation, monitoring and evaluation) and governance and accountability.

### 4.2 Relevance

**Finding 1: CGAP's mission, to advance financial access for the poor, is highly relevant given the poor's limited access to formal financial services.**

Globally, the vast majority of poor families live and work in the informal economy. Often, they are multi-generational and carry out small entrepreneurial activities; their business and household needs are intermingled. Poor families in the informal economy are both producers and consumers. In both roles, they need access to financial services at least as much as wealthier producers and consumers. They may need it more because they have far less regular income and expense streams and less of an economic cushion to begin with. As producers, they need access to financial service to invest, generate incomes, and build assets; as households, they need financial services to smooth consumption, meet longer-term savings goals, and manage risks.

Despite these needs, more than half of the estimated 2.7 billion working age adults globally remain excluded from *formal* financial services. As a result, they use *informal* financial services that tend to be less reliable and more costly. Poor families are doubly penalized.

In addition to the direct positive welfare impact that access to the right financial services has for poor households in the informal economy, there are two important macro benefits. First, the presence of a financial access infrastructure allows for more effective interventions in other social policy arenas, for example, through conditional payments transfers in the public health and education spaces. Second, economies with a deeper financial penetration tend to grow faster and reduce income inequalities.

CGAP's overarching mission of advancing financial access for the world's poor, and its work building financial systems as a means to achieve this goal, is highly relevant but far from finished. To achieve this mission, the field needs to continue its work to better understand customer segments and their needs; develop a broader financial system that can deliver financial services to the poor in a cost-efficient and responsible manner; and promote an enabling environment of appropriate regulation, supervision, and infrastructure support.

**Finding 2: CGAP is highly valued across all interviewed and surveyed stakeholder groups, demonstrating its relevance to their needs.**

CGAP's overall objective is to *create and share as a public good practically relevant knowledge to materially advance access to financial services for the poor*. Interviews with a cross section of CGAP stakeholders indicate that CGAP continues to be a valued and respected source of information in the financial inclusion space as reflected in a sample of stakeholders' quotes below. It is perhaps noteworthy that virtually every CGAP stakeholder interviewed for the evaluation had something very positive to say about CGAP's added value before sharing their views on areas for improvement. Stakeholders' ringing endorsements of CGAP provides ample proof of its relevance to their needs.

In addition, surveyed CGAP members were similarly positive – 68 per cent agreed that CGAP provided their organizations with good value in return for their financial contributions (8 per cent disagreed, 8 per cent did not know, and 16 per cent indicated the question was not applicable).

**CGAP Members**

*No one (other than CGAP) manages knowledge, promotes research or provides market intelligence in such a comprehensive way. No one else could do the SMART aid work.*

*Provides a platform that helps coordinate donors, letting them do their work better*

*The MOST even handed umbrella neutral organization that brings interested parties together to discuss and arbitrate issues*

**World Bank**

*CGAP has become one of the most successful leadership brands to come out of the Bank. Because of its specialization and knowledge in microfinance, it has been the flag waver and has brought sense to what financial inclusion is – it has been incredibly good at that. It has been amazingly good at branding itself.*

*CGAP has helped to bring two very different camps together – the traditional NGO kind of movement focused on micro credit as a standalone activity and the financial mediators.*

*CGAP has created a vocabulary that has been adapted by others.*

**NGOs**

*No others can bring people together for industry wide topics – they have legitimacy to get views of all parties.*

*Most credible industry voice*

*Has been catalytic on MIV guidelines and responsible finance. Now investors are taking it forward, which is as it should be.*

*CGAP blogs continue to be the first source I go to, to keep up with thinking and controversies.*

*CGAP is a combination of a think tank, standard setter and a market intelligence unit. It needs to be a bit of each when the context is changing.*

**Investors**

*A trusted voice to speak for the industry – they have taught leadership, whether it is stating a position, market reforms – it is the first stop as a point of reference.*

**Consultants**

*CGAP provides first class information. Its name lends credibility (quality seal).*

*The industry needs to be challenged, and CGAP does that*

**Finding 3: CGAP’s demonstrated ability to evolve over time in anticipation of and/or in response to the changing financial inclusion landscape is a positive indication of its ongoing relevance.**

One of the most distinguishing characteristics of CGAP since it began in 1995 is its determination and ability to evolve in anticipation of and/or in response to the changing external context. CGAP sets high standards for itself and has an inherent desire to keep up with evolving needs and trends and to spur innovation.

CGAP’s ability to adapt to the evolving context and needs is evident in all that it does. For example, it is reflected in the varying foci, objectives, target groups and programming workstreams associated with CGAP Phases I to IV (see sidebar).

It is also evident in how CGAP roles have evolved over time: previously it played prominent roles as a funder, a developer of technical tools, a trainer and a technical

assistance provider to address the practical needs of MFIs, roles which it no longer plays. Today, CGAP is focused on the creation and sharing of practically relevant knowledge to advance access to financial services for the poor; in so doing, it deliberately seeks out and becomes engaged in interventions that will have multiple benefits and synergies across the industry (including policy makers, financial services providers, donors and investors, and most recently clients), as opposed to any one industry segment or sub-segment. Another indicator of CGAP’s commitment and ability to evolve relates to its practice of “exiting” from activities and priority workstreams and spinning off to others or discontinuing activities as appropriate (see also Section 4.4), thus freeing up its resources for emerging priorities.

While this purposeful dynamism helps CGAP remain relevant in the changing landscape, it can also contribute to some confusion among its various groups of stakeholders if the changes it makes are not well communicated. This is particularly challenging for an organization like CGAP which has a myriad of stakeholders with a broad range of varying practical and strategic needs and interests. Some interviewed stakeholders in the MFI community continue to cling to earlier expectations of CGAP and express confusion regarding the transition from micro-credit to financial inclusion, and/or disappointment when CGAP does not continue to play the roles it used to (e.g., providing technical training, capacity building to MFIs). Other interviewed stakeholders who work on the cutting edge in the industry view CGAP as a competitor and guard their innovative work until they are ready to release it, perhaps out of fear that CGAP could access funding and move forward more rapidly. As well, because of CGAP’s continuing innovations and renewal of its work, some of its latest initiatives are not yet well known (e.g., Clients Group, and Standard Setting with the G20) among its different stakeholder groups.

### 4.3 Effectiveness

CGAP’s ultimate objective is purposefully focused on the “creation and sharing of practically relevant knowledge.” It describes itself as a “global public good at the frontier of a responsible market development effort that is committed to sharing learning and partnering with a broad range of stakeholders able to accelerate responsible financial inclusion.” Outreach and communications strategies are embedded in everything it does. CGAP sees its network of members as a vital channel through which

#### CGAP Phases I-IV

According to the 2008 IEG Evaluation of CGAP, Phase I activities were geared to developing sustainable MFIs and supporting design of technical tools. In Phase II, the emphasis shifted to capacity building and enhancing transparency of MFIs. Phase III focused on financial sector diversity and integration, while the strategic plan for FY09-13 promotes equity and efficiency in the access of the poor to finance.

**The Clients Group**, a new addition to CGAP in the latter part of 2011 and housed at the Paris office, includes Graduation and Youth Savings programs, previously at risk of being cut. This group focuses on understanding the needs of clients, defined as extremely poor people – those at the lowest level of the economic ladder – to whom microfinance has not typically reached, and who would benefit from greater access and a more financially inclusive system.

it can coordinate and optimize stakeholders' collective voices in debates at national, regional or global levels on issues related to financial inclusion. It notes that it is three times removed from the end-user (the poor), and that it works through a couple of intermediate tiers – initially the broader development community, which is in turn focused on developing local institutions and markets which ultimately serve the poor.

Thus while CGAP's Phase IV strategy describes CGAP in terms of three key roles (advocating for standard setting and adoption of best practices, advisory services, and experimentation), in practice these roles represent different “means” that CGAP uses as required to realize its desired objective to create and share practically relevant knowledge. As will be discussed further in Section 5, CGAP develops specific strategies to realize this objective that are tailor-made to address specific messages and to reach targeted audiences.

Given this context, our review of CGAP effectiveness examines CGAP from a couple of perspectives: i) the extent to which it is seen to be effective in creating and sharing relevant knowledge, and ii) its effectiveness in carrying out its three roles.

**Finding 4: CGAP has been very effective in realizing its overall objective to create and share practically relevant knowledge to advance access to financial services for the poor.**

In the survey and in interviews, CGAP members noted their general respect and appreciation for CGAP's effectiveness in knowledge creation and sharing, and as a convening body for the financial inclusion space (see sidebar).

In interviews with a cross section of CGAP stakeholders, ranging from practitioners to policy makers, CGAP was credited for its ability to create, distil, package and share knowledge, which in turn is used by others to inform and advocate for positive changes in the financial services market. CGAP publications and other communications materials are widely recognized for their distinct and highly respected evidence-based content, are widely read and accessed, and said to be retained for years by practitioners as highly valued reference documents (see sidebar).

CGAP's strength in this area was echoed by surveyed members (see sidebar). Stakeholders identified some areas for improvement: requesting CGAP to package and share information more quickly and to give sufficient credit to other contributors, feedback that CGAP has

96% of surveyed CGAP members agreed or strongly agreed that “CGAP's convening platform, knowledge products, and/or advice have increased the knowledge of my organization about access to finance issues in the past three years.”

**Stakeholder reflections on CGAP's role in knowledge creation and sharing**

A powerful think tank

A thought leader

Centre of excellence and competence

Ability to crystallize complex concepts in microfinance and communicate them easily

Reference point for trends

Publishes points of view, widely read, accessible and technical

Very strong impact as a knowledge warehouse and stimulator

Dissemination of best practices, especially on mobile banking

Strong on knowledge exchange and familiar with global issues – they should keep global view and dissemination of knowledge

CGAP has been an active participant in each of the areas of major concern in recent years, although its involvement has been greater in some areas (e.g., technology) than others (e.g., the crisis in Andhra Pradesh).

Provides analytical background on why stakeholders should support financial inclusion

98% of surveyed CGAP members agreed or strongly agreed that “CGAP is a leading source of information related to advancing financial services for the poor.”

93% agreed or strongly agreed that “CGAP can be relied on to provide evidence-based analysis.”

taken seriously and is addressing. However, the overall feedback is extremely positive, and consistent with findings of the Phase III evaluation.

Interviewed stakeholders were similarly very positive about CGAP’s effectiveness as a convenor – it is widely viewed by a cross section of its stakeholders as a trusted and credible body that convinces and influences important decision

89% agreed or strongly agreed that “CGAP speaks out on relevant access to finance issues in a timely manner”

makers (in national governments, standard setting bodies, donor agencies among others) about financial services and facilitates industry collaboration in even handed-ways. In the words of one stakeholder, *CGAP is successful at reframing a higher level consensus of how people view the microfinance world.*

Finally, with a learning agenda and knowledge creation and sharing built into the design of every work program, knowledge at CGAP is a highly interactive process. Staff incentives are strongly aligned for all staff to be active communicators and this policy is supported by a professional communications team responsible for strategy, coaching, and brand management, and well-defined structures and processes for quality control.

**Finding 5: CGAP is effectively using new communication tools to disseminate knowledge.**

Over the past few years CGAP has built on its strong reputation for creating high quality but accessible publications to create a fully integrated multimedia and multichannel platform for its outreach and engagement strategy.

Reviewed statistics indicate that while the distribution of paper-based CGAP publications has decreased as a result of CGAP’s analysis of user patterns and costs and the resulting decision to focus resources online, the use of its online resources (including the CGAP website, blogs, and Microfinance Gateway platforms) increased during Phase IV.

- Distribution of CGAP publications decreased from 122,436 in FY2009, to 96,561 in FY2010, and 70,817 in FY2011.
- The CGAP.org website continues to be visited consistently and by high numbers of viewers. Traffic increased from 1,598,741 in 2009 to 1,668,514 in 2010.
- Two of CGAP’s most heavily visited blogs include the CGAP Microfinance blog and the Technology blog, both of which have witnessed increased traffic (see sidebar). The CGAP Microfinance blog was one of six blogs nominated by Aid Bloggers’ Best Awards for 2011 for best organizational development blog.
- The number of visits to its Microfinance Gateway website increased dramatically during Phase IV after a re-launch in 2009, bringing in 675,981 visitors in 2011.<sup>37</sup>

**CGAP Blogs**

Traffic on the CGAP Microfinance blog increased from a few visits per month in January 2009 to almost 10,000 visits per month in October 2011. The total for the period was 202,948 visits (320,726 page views).

Traffic on the CGAP Technology blog increased from a few visits per month in July 2008 to almost 10,000 hits in October 2011. The total for the period was 380,391 visits (620,124 page views).

CGAP has launched Microfinance Gateway platforms in four languages. In December 2011, the French language platform (Lamicrofinance.org) received the most unique visitors, followed by the English

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<sup>37</sup> CGAP. (2011). Microfinance Gateway. <http://www.microfinancegateway.org/p/site/m/template.rc/1.26.18039/>



(Microfinancegateway.org), the Arabic (Arabic.microfinancegateway.org), and Spanish (Portalmicrofinanzas.org) respectively.

CGAP's use of social media for outreach and engagement has also expanded dramatically over the last few years. With a growing social media presence (currently 3800 Twitter followers; 2000+ "likes" on Facebook; and 1700 active LinkedIn members for the corporate accounts alone) CGAP is now looking to expand its footprint and amplify its voice by having staff experts engage directly and continuously with that base.

**Finding 6: Stakeholders provided a range of opinions on CGAP's roles in advocating for standard setting and adoption of best practices, providing advisory services, and supporting experimental approaches.**

CGAP does not consider its various roles in isolation or linear fashion, but blends them as appropriate and required. For this evaluation, however, stakeholders were asked to comment on the strengths and weaknesses of CGAP's various roles. They were most positive about CGAP's knowledge sharing and convening roles (as discussed above), and had a range of opinions on its other roles in standard setting, providing technical advice, and supporting experimentation. This may reflect the vantage point of the interviewees and where they came from.

- **Advocating for standard setting and adoption of best practices** was a role CGAP played more strongly in the earlier days of the smaller microcredit field. Interviewees questioned both the relevance of, and CGAP's leadership in, this area given the relative maturity of that field and the evolving, much larger financial inclusion context. One stakeholder noted that the need for standards waxes and wanes depending on the context and argued that when the context is changing a lot, it is most important for CGAP to be trend setting rather than standard setting.
- While those who benefitted directly from CGAP **advisory services** (e.g., CGAP members and national central bank representatives) provided very positive feedback on CGAP's support (see sections 5.4 and 5.5), several of those interviewed questioned the continued appropriateness of CGAP playing an advisory role outside of a clearly defined learning agenda. A similar point was made in a CGAP-commissioned review of its policy and government work in 2010,<sup>38</sup> and is informing CGAP's approach.

**Stakeholder Comments on CGAP's role as an advisor**

*CGAP is powerful in public policy and with donors.*

*CGAP provides a second opinion.*

*It is a discussion partner that does not impose its view.*

*CGAP challenges products/ ideas.*

Finally, many of those interviewed commented positively about CGAP's contributions in branchless banking (see sidebar and section 5.3). However, CGAP's role in **supporting experimental approaches, delivery channels and product design** was rarely mentioned in interviews outside of branchless banking and the graduation program, which admittedly are the current examples. Several interviewed CGAP

**Stakeholder Comments on CGAP's role in experimentation**

*CGAP can bring value in innovation, e.g. branchless banking – it gets full marks.*

*The Graduation Program has been important for keeping CGAP focused on the needs of the poor.*

*CGAP focuses too much on the supply rather than the demand side.*

<sup>38</sup> Goodwin-Groen, Ruth and Ann Duval. (December 2010). CGAP Policy Internal Review

members questioned the level and duration of CGAP’s engagement in some of these initiatives and expressed the need for greater clarity on rules of engagement and disengagement, a matter that is addressed in Section 4.4.

**Finding 7: The evolving financial inclusion arena has heightened the need for CGAP to clarify its position and focus and communicate its added value to others.**

Given its resources (human, financial and technical), CGAP has performed well in addressing key issues that affect the microfinance market (see sections 5.3 to 5.5). As discussed in detail in section 4.2, CGAP’s ongoing relevance has been due to its ability to remain at the frontier of a broader market development effort and keep pace with changing needs and expectations.

The financial inclusion space has evolved considerably over the past 16 years since CGAP was formed, and continues to evolve – in how it is defined, the key players, and the threats and opportunities. This presents opportunities for CGAP to review the ongoing appropriateness and relevance of its role and priority areas, opportunities which it has seized. At the same time, it heightens the need and importance for CGAP to continue to position itself effectively and communicate its added value to others. As noted below, a cross section of interviewed CGAP stakeholders flagged this as an area for improvement.

CGAP was once viewed as the industry spokesperson, and was seen as a leader in the microcredit and later the microfinance arenas. While both the microcredit and microfinance market tended to concentrate on a few types of players, similar needs, and a modest number of economic sectors, this is not the case in the much broader arena of financial inclusion.

By design and aspiration, CGAP has helped the field to develop the broader notion of financial inclusion, which has far more linkages to the mainstream financial system and mainstream players. In this more complex field, there is both increased demand for specialized expertise and many more players (see sidebar).

Today CGAP sees itself not as the de facto industry leader, but as exercising leadership in a variety of ways, and importantly through effective collaboration and strategic partnerships. In the past three years, CGAP has been recognized for its increased emphasis on collaboration and partnerships with others for mutual benefits, and the need and importance of this is expected to increase (see section 4.5.2.).

**Financial Inclusion Leaders**

CGAP now shares the stage with a number of other organizations including:

- the Alliance for Financial Inclusion (AFI), a network of regulators funded by the Bill & Melinda Gates Foundation and administered by GIZ
- the World Bank’s new Financial Inclusion Practice that started building up in July 2011
- the Council of Microfinance Equity Funds (CMEF)
- the International Association of Microfinance Investors (IAMFI)
- aid effectiveness organizations and think tanks such as the Center for Global Development and the OECD

One message that came out strongly in the survey and interviews with CGAP stakeholders is that CGAP is not sufficiently focused in the financial inclusion environment (see sidebar). A significant proportion of interviewed individuals emphasized that it is not feasible for CGAP to effectively address all needs; some argued that its effectiveness is limited as it is seen to be working in too many different areas.

The 2008 CGAP IV strategy suggests that it has a role to play at different levels (global, regional and local). In its subsequent workplanning, however, CGAP has made clear that it pursues global learning agendas at the frontier of the field, where national level work (for policy) and local level work (in supporting product or business model innovation) are a means to achieve the global learning objectives rather than an end in themselves. While this is a sensible strategy given CGAP's resources and overall objective, it is not uniformly understood among its different stakeholders – as shown in the comments in the sidebar. It is worth noting however that different stakeholders might have conflicting views, depending on their own institution's priorities, role and capacity.

CGAP needs to continue to clarify and communicate its focus and evolving strategies and priorities to others.

**Stakeholder Comments on CGAP's Focus**

*One concern is its focus and vision and what that means for industry – it is a big gun but where is it aimed?*

*(CGAP operates in a) rapidly changing industry – the investor market will be different in 5-10 years – so maybe CGAP will become less relevant for MF. But there are still opportunities at the frontier where CGAP can play a role. It needs to work harder to show its role in financial inclusion (especially in rural and agricultural finance)*

*As the financial inclusion agenda has expanded so rapidly to be integrated into broader financial sector issues and international remittances and private sector issues there are a plethora of issues to address and now the WB also has a financial inclusion practice, so there is less of a clear niche for CGAP - or CGAP has not created a clear niche for itself. As a donor who does not go to lots of international meetings it has not been 100% clear to me how CGAP is positioning itself as a unique voice. It seems like it will need to either get bigger to be able to address more of the issues or it will need to have a clearer voice.*

**Stakeholder Comments on CGAP's Geographic Focus**

*CGAP needs to focus more on regional and country context by working with local or regional stakeholders and promoters.*

*CGAP should become more involved at the regional level.*

*I think we should be taking some very specific steps to be a more global organization.*



## 4.4 Sustainability of Results

The purpose of this section is to comment on the extent to which CGAP contributions to the financial services market over the past three years are likely to continue and be sustained over time rather than one-time contributions with limited short-term impacts.

**Finding 8: There is considerable evidence that CGAP contributions to the financial services market are being, or will be, sustained over time.**

While CGAP does not have an explicit sustainability policy or strategy, a review of its activities indicates that it has paid attention to sustainability over time, distinguishing itself from other GRPPs (see sidebar).

In Phase IV, some of the sustained benefits emerging from CGAP support include the following:

### Sustainability of results in GRPPs

Another key message is the importance of paying attention to the sustainability of program benefits early on—to focus on long-term capacity building, to establish criteria for devolving activities, and to define potential exit strategies—even when the short-run need for the partnership is regarded as indisputable. Very few (GRPP) programs have done this.

World Bank Evaluation of GRPPs (2011) p. 44

- **Knowledge creation/sharing and communications:** CGAP knowledge resources on the financial services market, especially its publications, are highly valued by users, who noted that this information continues to be used long after it is published and is made available to others (see section 5.2). While the Evaluation Team is not in a position to compare the costs and benefits of CGAP's knowledge management and communications work, it would appear that such analysis would reflect very positively on CGAP. In 2011, CGAP transferred management of Financial Inclusion Regulation Centre (an online regulatory database on financial inclusion topics which CGAP spent three years developing and building the content library for) to Boston University, a good example of thoughtful exit designed to sustain the programme.
- **Advisory services:** Interviews with CGAP members who benefitted from its advisory support, as well as state banks who sought CGAP advice on their policies and regulations, suggest that CGAP support has helped them build sustainable capacities within their organizations and/or change laws in some countries over time (see sections 5.3 and 5.4).
- **Convening bodies:** While it once played a very active role in the creation and management of the Social Performance Task Force (SPTF), CGAP now instead supports SPTF governance and is an elected representative of the donor community on the SPTF Steering Committee.

- Market intelligence:** CGAP has helped create and support several valued services in the financial services market including: MIX (see sidebar) as well as several other CGAP initiatives that have also since been passed to MIX for management including transferring the software listings from CGAP's to MIX's website; the MIV survey which is now being carried out by Symbiotics and MicroRate; and the evaluation of MFIs managed by JP Morgan. In addition, CGAP successfully transferred responsibility for the Rating Fund to ADA, a non-profit organization specializing in microfinance. ADA has since launched a successor Microfinance Rating Initiative with support from several European governments. It is noteworthy that CGAP has deliberately let others take over and manage these initiatives, thus freeing CGAP to address other needs of the market.

MIX collects and validates financial, operational, product, client, and social performance data from MFIs in all regions of the developing world, standardizing the data for comparability. This information is made available on MIX Market ([www.mixmarket.org](http://www.mixmarket.org)), a global, web-based, microfinance information platform that features financial and social performance information for approximately 2000 MFIs as well as information about funders, networks, and service providers.

MIX produces analysis to provide the microfinance industry with a context to view the performance data that MIX collects from MFIs and produces publications including the Microfinance Bulletin and MIX Microfinance World.

<http://www.themix.org>

It is premature to assess the likely sustainability of the full benefits of the Technology and Business Model Innovations program (once they are rolled out on a large scale) and the Supervisors' training that CGAP is currently developing with the Toronto Centre.<sup>39</sup> Nonetheless, interviews with CGAP managers of these initiatives indicate that measures have already been built into these projects to support institutionalization of these benefits over time. In most cases, knowledge is gleaned, summarized and shared publicly for all to benefit and build upon.

While the overall assessment is positive, there are a couple of notable exceptions where CGAP's initiatives did not lead to sustainable benefits. One is the Microfinance Management Institute (MFMI) which was supposed to be spun off by CGAP during the course of CGAP Phase IV but was instead closed by CGAP and Soros. It would be useful if CGAP documented the lessons learned with this experience in order to inform future efforts to spin off activities. The other is the Client Graduation program. Some studies have shown that the clients have not continued to make deposits into their savings accounts six months after the pilot phase. While some argue that this is likely due to the fact that graduated clients have identified better opportunities for leverage and investment than in small savings accounts, more research is needed to verify whether this is the case. Furthermore, there is no clear organization available to take over CGAP's work with "ultra-poor" (i.e., Graduation Program).

CGAP is clearly committed to and can point to several successful initiatives in which it has played an important role in creating and then exiting from or spinning off. However, it was not clear to the Evaluation Team what these terms actually mean as they are not formally defined and can be misinterpreted. For example, both CGAP reports and its stakeholders noted that CGAP had 'exited' MIX. In 2003, CGAP spun off MIX into a separate legal entity and in 2011 withdrew from a leading governance role. CGAP continues to provide core funding to MIX, but is now one of 10 funders, representing less than 10 per cent of MIX funding. It is important for the CGAP team to clarify the steps involved in such an exit, as well as timelines and expectations so that it is clearly understood.

It would be helpful if CGAP codified what 'spinning off' means, when it should occur, and what encompasses an acceptable exit strategy, as well as related lessons learned. Finally,

<sup>39</sup> The Toronto Centre offers leadership training for financial regulators from around the world to enable capacity to drive changes that will make their financial systems sounder and more effective.



CGAP should pay more attention to systematically reporting on its progress, successes and lessons learned related to sustainability irrespective of the programming phase it is currently immersed in. This would allow CGAP to give its stakeholders a more accurate, telling picture of its contributions over time, i.e., its performance story.

**Finding 9: While CGAP clearly pays sufficient attention to the sustainability of the results of its programming initiatives, CGAP’s guidelines vis-à-vis sustainability are informally rather than formally defined.**

As noted above, CGAP has a positive track record in sustaining the results of its initiatives, and compares very favourably with other GRPPs. At the same time, some persons interviewed for this evaluation raised questions about why, when, how deeply and for how long CGAP should get involved in various initiatives, when it is time to withdraw and pass the torch to others and/or when it should let an initiative “die” as it has served its purpose. Interviews with CGAP’s Operational Team members (as well as its track record) indicate that CGAP pays serious attention to these questions in designing and implementing its program and activities. However, such implicit values and practices are not prominent in its guiding documents such as its strategy or Reference Manual, and consequently under-represent the importance CGAP places on sustainability.

In the next iteration of its Reference Manual and strategy, we suggest that CGAP consider highlighting its views and practices on sustainability.



## 4.5 CGAP Management

### 4.5.1 CGAP IV Design

This section examines the extent to which CGAP IV was planned and designed appropriately to realize CGAP’s mission, program goals, and program outcomes.

Program design is a critical first stage in the programming cycle. It helps to clarify the why (e.g., program rationale, needs and problems to be addressed); the what (e.g., targeted program partners or beneficiaries, objectives, priorities) and the “so what” (e.g., results, indicators and targets); where (e.g., a program’s reach – local/national, regional, global); when (e.g., timeframes, milestones); how (e.g., strategies, methods, approaches, principles, financial and/or human resources); and the “what if” (e.g., a program’s assumptions and risks).

In the evolving context within which programs and organizations function today, a program’s design should provide a common, known, clear and logical compass for internal and external stakeholders and be flexible enough to navigate anticipated and unanticipated threats and opportunities so that the program remains relevant over time.

**Finding 10: Despite its very complex programming context, CGAP has taken impressive steps to emphasize results in the Phase IV program design. Key limitations include the absence of an overall rationale and program logic that clearly explains how CGAP outcomes are intended to contribute to its goals, overall objective and mission, and some shortcomings in its Results Framework that hinder its utility in assessing CGAP’s performance.**

### CGAP Programming Context

As noted in Section 2, CGAP operates in a dynamic environment with multiple issues, players, opportunities, and challenges. One of the challenges in terms of program design is that CGAP is several steps removed from the ultimate beneficiaries of its work (the unbanked, including the very poor and harder to reach clients) and works through intermediaries including donors, governments, DFIs, FSPs and

others. Consequently, it is an ongoing challenge for CGAP to identify the level and nature of results that it can realistically target, achieve, measure, and take credit for.

To add to the complexity, CGAP operates at various levels (national, regional, and global) and with three quite different constituencies of the financial services market: financial service providers, governments and policy makers, and donors and investors – each of which have their own distinct contexts, values, and needs, and who also have different expectations and demands for CGAP knowledge and expertise. CGAP’s recent addition of clients to its programming constituencies, which has both vertical and cross-cutting implications, adds yet another lens to CGAP programming.

Among its constituencies, CGAP plays numerous roles, ranging from hands-on technical advice to its member donors, to policy influence through its work with some of the global standard setting bodies, to business model developer or incubator (see sidebar for examples). However, as discussed in section 4.3, these roles are viewed by CGAP as a means to realizing its overall objective of “creating and sharing as a public good relevant knowledge to materially advance access to financial services to the poor”, creating yet another complexity for CGAP in articulating its strategy.

At the level of its mission, CGAP aims to contribute to innovative financial services.<sup>40</sup>

At the outcome level, it aims to build its members’ capacities (in supporting microfinance effectively) and governments’ capacities (to work towards or execute improved policies) and demonstrates various models that deliver benefits for the poor. CGAP also invests considerable time and resources in generating and disseminating knowledge.

Each of these roles has different implications for CGAP design, program implementation, resource requirements and how it measures success.

CGAP sets high standards for itself to anticipate new demands and services and stay on the cutting edge, and has demonstrated its willingness to continuously evolve in response to the changing context (as discussed in section 3.5). Yet it is a challenge to design a program that strikes a balance between flexibility to adapt to evolving context and sufficient focus so that CGAP is not criticized for trying to do all things for all stakeholders. Together these factors would present a challenging mix for any organization to articulate a coherent strategy and design.

## Progress in Design

### Response to 2007 Evaluation

The CGAP Phase III evaluation in 2007 commented positively on CGAP’s Phase III strategy, and noted that its framework was clearer and more coherent than previous strategies. (It also noted that CGAP’s operational structure was more clearly defined, with clearer identification and monitoring of outputs against performance targets.) It pointed out areas for improvement in the articulation of

### Selected CGAP Phase III Evaluation Recommendations<sup>41</sup>

CGAP’s M&E systems are well developed with regard to activities and initiatives and at the level of outputs. CGAP needs to do more in regard to measuring, monitoring and evaluating outcomes. CGAP should be able to monitor and report to what extent they contribute to achieving outcomes and priority objectives.

CGAP should develop a concept for measuring its own overarching key objective (building inclusive financial systems).

CGAP should do more conceptual work on impacts and generate evidence on the impact of inclusive financial systems on broader development as stated in the MDGs, providing some generic demonstration of the alleged contribution of inclusive financial systems to poverty alleviation and improvement in the real sector of the economy.

<sup>40</sup> For example, a recent contribution by Steve Rochlin and Sasha Radovich, *Evaluating Innovations for Development*, provides insights on what and how to evaluate the relevance, effectiveness, sustainability, influence, and impacts of innovations for development.

<sup>41</sup> From CGAP Phase III Mid Term Evaluation July 2003-June 2006 (Forster, S. et al, 2007) p.42

the CGAP strategy – in terms of simplifying and clarifying the framework; providing a clearer definition of objectives, outputs, and outcomes in some work areas; and paying heightened attention to identifying a clear, convincing basis for assessing its contributions to the market (see sidebar and Appendix IV).

CGAP took this feedback seriously, and as part of its Phase IV planning, the CGAP Operational Team, selected ExCom members, and an external consultant invested considerable time and energy in developing CGAP’s first results-oriented framework in 2008, which is used to monitor and report on its performance to the CG on a regular basis at the outcome and goal levels. While interviews with CGAP Operational Team members and a document review flag a few areas for continued improvement (see below), CGAP’s concerted efforts to address Phase III evaluation recommendations are applauded.

### Good Project Design

Another notable strength of the CGAP Phase IV design relates to the design of several CGAP projects that correlate with CGAP outcomes. Projects submitted to the Investment Committee for vetting over the past three years are well written and satisfy most of the requirements of good project design.

Noted strengths include systematic attention to lessons learned from CGAP’s previous work in the area, contextual analysis, the clear articulation of the project rationale, the definition of project results, a list of project partners and their roles, the outline of a monitoring and evaluation strategy (including indicators and targets), and the identification of key assumptions and risks. Some of the larger projects (e.g., the Technology Program and Client Research) also include baseline information, research questions, terms of reference for a project evaluation, a strategy for sharing lessons learned and sustainability plans. Finally, the IC proposals adhere to the helpful guidance found in the CGAP Reference Manual (2010).

Given CGAP’s increased attention in recent years to clarifying the “key messages” and implicit theories of change that are driving its projects and to defining its influence models and strategies, CGAP might want to include these in its project documents (and its IC proposal guidelines) in the future. Finally, given the importance of sustainability of results (see section 4.4), CGAP should also consider including this as a requirement in future IC proposals.



### Program Rationale

The CGAP IV strategy (pp 5-7) identifies accomplishments and challenges to achieve widespread access to finance, but no reviewed document specifically defines a clear rationale for the CGAP IV program in terms of CGAP’s mission (*advancing financial access to the poor*) nor in terms of its overall objective (*creating and sharing as a public good relevant knowledge to materially advance access to financial services to the poor*). The latter is understandable as the objective was defined after the CGAP IV design documents were developed. However, as discussed below, the lack of clear rationale has adversely affected the CGAP program logic. The three CGAP IV goals address the key sectors of the microfinance market that CGAP seeks to influence (i.e., FSPs, policy makers and governments, and funders), but the reviewed documents do not identify the explicit rationale for each of the three goals; instead they describe what CGAP will do in relation to each program outcome.

On the other hand, each of the reviewed IC project proposals provides a thorough description of the project background as well as the rationale for the proposed project, providing some valuable insights on the program’s implicit rationale.



## Program Logic

An in-depth review of CGAP's design documents reveals several shortcomings in program design, one of which relates to the program's vertical logic (see definition in sidebar).

While the CGAP IV design is described in several documents,<sup>44</sup> the two key program level documents (i.e., the CGAP strategy and results framework) do not explain how CGAP outcomes are expected to contribute to program goals, or how program goals are expected to contribute to CGAP's overall objective, mission and vision (see sidebar). Nor do they identify the assumptions on which expected outcomes, objective or goals are based or the associated risks. The absence of such information makes it difficult for CGAP to: a) demonstrate how its activities will ultimately contribute to expected results, b) explain why it is involved in some activities or projects and not others, c) monitor and address risks and assumptions, and d) demonstrate and evaluate its contributions and added value to the sector.

The two most significant shortcomings in CGAP IV program logic are described below.

**The absence of CGAP's overall objective in the program logic** – This has resulted in a disconnect between CGAP's objective (*creating and sharing as a public good relevant knowledge to materially advance access to financial services to the poor*) and the framework set up to monitor and evaluate CGAP's performance, which focuses on goal achievement. The important implications for CGAP's Results Framework are described below in the section on Results Framework.

**The absence of articulated theories of change<sup>45</sup>** that lie behind each of CGAP's goals and its overall objective – Interviews with CGAP stakeholders indicate that while the need for and potential value of such theories of change are of growing importance within CGAP, they tend to be implicit rather than formally defined. This contributes to

### Logic Model

An articulated model of how a program or project is understood or intended to contribute to its specified outcomes and that focuses on intermediate outcomes that tightly specified processes.<sup>42</sup>

Depicts, usually in graphic form, the connections between program inputs, activities and processes, outputs, immediate outcomes and long-term impacts<sup>43</sup>

The Evaluation Team was not able to find any document that links CGAP's mission with its overall objective and goals. Information on each of these is instead found in different documents.

The Strategic Directions document (Annex A) describes the kinds of activities that CGAP will undertake, but does not describe *how* these will contribute to the results envisaged in the Results Framework.

The CGAP Results Framework states results at different levels, but it is not always apparent how an output will lead to an outcome or a goal, or what assumptions lie behind the achievement of expected results.

### Some limitations in the CGAP IV Vertical Program Logic

Disconnect between the reach (beneficiaries) of goals and outcomes

Beneficiary or expected change in the targeted beneficiary is not clear

Disconnect between goals and missions

Missing outcomes

Missing assumptions and risks

<sup>42</sup> Encyclopaedia of Evaluation (Mathison, S. (Ed), 2005) p.232

<sup>43</sup> Qualitative Research and Evaluation Methods (Patton, Michael Q., 2002) p.162

<sup>44</sup> The CGAP IV design is described in the CGAP Phase IV strategy 2008-13 *Strategic Directions*; the *CGAP Phase IV Results Framework*, several Investment Committee proposals, and in individual agreements with member donors (e.g., Ford, Mastercard and Gates Foundations). CGAP's Reference Manual (2010) also includes information related to CGAP's overall vision, strategy and approach.

<sup>45</sup> The causal links between the building blocks that underlie a specific approach to change. See Andrea Anderson, *Introduction to Theory of Change*, Aspen Institute Roundtable on Community Change, 2005.

additional shortcomings in the vertical logic as listed in the sidebar and described in detail in Appendix V.

A recent World Bank evaluation of GRPPs (2011) found that other GRPPs share similar design shortcomings and lessons (see sidebar).

**GRPP Design Weaknesses**

(GRPP) objectives were generally relevant in terms of collectively addressing important global and regional issues, but few programs had a well-articulated theory of change indicating how their strategies and priority activities were expected to lead to the achievement of their objectives. ....In the absence of robust M&E frameworks, systematic evidence relating to the achievement of the programs' objectives at the outcome level is scarce.

*The World Bank's Involvement in Global and Partnership Programs: An Independent Assessment* (World Bank, 2011) p. xix

**GRPP Design Lesson**

The broad lesson is that having relevant objectives alone is not sufficient to justify a program's continued operation in the absence of a well-articulated program design or evidence of results. There needs to be a consensus among the partners not only on the need for action, but also on the definition of the problem, on priorities, and on strategies for action.

*The World Bank's Involvement in Global and Partnership Programs An Independent Assessment* (World Bank, 2011) p. 32

The Evaluation Team suggests that CGAP pay more attention to defining its program rationale and logic in developing its strategies in the future. In discussions, members of CGAP's Operational Team and the ExCom acknowledged these limitations and agreed they should be addressed in planning future phases of CGAP. This is discussed in Recommendation 4 in Section 6.2.



**Results Framework**

To inform this assessment and in keeping with standard evaluation practices, the Evaluation Team used the CGAP Results Framework as the primary basis for assessing its effectiveness (the results of which are discussed in section 5). The CGAP Results Framework encompasses CGAP's vision and mission, describes CGAP's higher level goals at the market or industry levels, defines a number of outcomes for each industry level goal, and provides space for unanticipated results. During the course of the evaluation, however, the Evaluation Team noted that the Results Framework has several limitations that hinder its utility in assessing CGAP's performance. These are summarized below.

**Overall** – While the CGAP IV Results Framework is described as a working document that will be continually revised as market conditions change, it has not been formally reviewed or revised since it was designed in 2008. In the meantime, CGAP has initiated several changes such as the addition of a client focus, and changes made by the Donors and Investors (D&I) team to Goal 3 sub goal statements.<sup>46</sup> In addition, the implicit logic (between CGAP outcomes and goals, and between goals and the CGAP objective, and the CGAP objective and mission) is not always clear. Finally, CGAP's inconsistent use and definition of the terms vision, mission and/or roles in the some key documents (e.g., the CGAP IV strategy, the Results Framework, Annual Workplans, and some reviewed presentations) contribute to

<sup>46</sup> At the time of writing, revisions to the sub goal statements associated with Goal 3 had not been officially adopted and the June 2011 Monitoring Report still uses the three original sub goal statements.

some possible confusion, which could be easily addressed by standardizing such terms.<sup>47</sup> (See also Section 6).

**Mission** – Interviewed stakeholders questioned the appropriateness of the CGAP mission statement – some raised concerns that it is too high level and all encompassing, while others raised questions about CGAP’s targeted beneficiaries (see sidebar). Interviewed CGAP staff acknowledged that the CGAP

**Stakeholder comments on CGAP’s Mission Statement**

*It is not clear if CGAP is about the poor or institutions.*  
*The ‘p’ used to be about the poorest – should CGAP change it back?*  
*The mission looks more like an MFI in the field, whereas CGAP is far from the clients.*

vision and mission need to be reviewed and revised as part of its next program strategy.

**Overall Objective** – As noted above, CGAP’s overall objective is absent from the Results Framework.

As a consequence, there is scant attention in the framework to *creating and sharing as a public good relevant knowledge to materially advance access to financial services to the poor*, or to what CGAP’s internal and external stakeholders indicate CGAP is all about (see sidebar). In turn, there are no explicit and agreed to indicators in place for CGAP to use in monitoring, reporting or evaluating its success in realizing this objective.

**CGAP’s overall objective – the missing link?**

The current Results Framework defined does not reflect CGAP’s de facto roles as a leading authority, source of knowledge, and/or convenor in the area of financial inclusion.

When asked to comment on CGAP’s performance, interviewed stakeholders generally concentrated on these roles, rather than on the expected results in the Results Framework, raising questions about the utility and relevance of the results as currently articulated in the framework in measuring its overall performance.

Including its objective in future iterations of its framework could provide a more meaningful basis for assessing CGAP’s performance over time (i.e., beyond individually defined phases of CGAP), and help situate what are currently labelled as CGAP goals in the proper perspective (i.e., as strategies to realize its overall objective). See Recommendation 4 in Section 6.2.



**Goals** – In the Results Framework, CGAP’s goals are conceptualized in terms of a CGAP phase (i.e., five years duration), but lack baseline information and indicators to assess CGAP’s contributions to its goals (with the exception of Goal 3). This makes it difficult to evaluate CGAP’s contributions in any one phase and over time. There is also some overlap between Goal 1 and CGAP’s mission – both of which refer to efficient market infrastructure.

**Outcomes and Indicators** – While all CGAP outcomes have indicators, most are actually targets (e.g., 5000 downloaded/distributed documents per year). In addition, the indicators vary in their ambition (some are too easily attainable) and some are not a convincing basis upon which to assess the effectiveness of the outcome.<sup>48</sup>

<sup>47</sup> In the Results Framework, CGAP’s mission focuses on market development (i.e., to “build efficient and equitable local financial markets that are integrated into the mainstream financial system.”) However, on CGAP’s website its mission focuses on the poor’s access to financial services (i.e., “to improve poor people’s access to convenient and affordable financial services so that they can improve their living conditions and build a better future.” <http://www.cgap.org/p/site/c/template.rc/1.26.1368/>)

<sup>48</sup> For the outcome “Policy makers/regulators/supervisors have an increased ability to work towards and /or execute improved policies” the indicator is “In all activities for which evaluation surveys were conducted, policy makers rated CGAP an average of at least 3.5 on questions regarding educational value to the policy maker.”

**Finding 11: CGAP strives to influence change in the financial services market and is currently taking steps to guide and measure how it influences change. This should help inform its future program design and measurement strategies.**

One of the important roles that CGAP has embraced – influencing change in the financial market – is both difficult to measure and to attribute. These challenges and ways to address them are discussed in the growing body of literature on evaluating influence by organizations such as the Overseas Development Institute (ODI),<sup>49</sup> the Centre for Evaluation Innovation,<sup>50</sup> and the International Development Research Centre (IDRC).<sup>51</sup> Among these, the ODI publication (which interprets policy influencing in a broad way, encompassing attitudinal change, discursive commitments, procedural change, policy content, and behaviour change) provides some interesting insights into how an organization like CGAP could develop a theory of change to identify how its policy-influencing activities result in desired changes.

Over the past couple of years, CGAP has paid increasing attention to defining and developing what it calls its influence models or engagement strategies (see also section 2.3). A review of CGAP annual planning document for 2012 and 2013 indicate that attention to these engagement models have gained increased prominence in CGAP planning processes since CGAP IV began, and are regarded very positively internally as they help CGAP’s internal stakeholders reflect systematically at the beginning of an initiative on who, how, and what they want to engage. CGAP is in the process of formalizing models to guide how it influences change, and how it will measure change in the different subsections of the financial services market that it works in. As part of this process, it is defining the most meaningful indicators to measure its influence. This exercise should provide important and useful insights as CGAP develops its program strategy beyond 2013 and systems that enable it to measure its contributions at the market level, as companion pieces to theories of change.

It would be useful if these influence models and indicators were documented and included in CGAP strategy documents and/or reference manuals in the future.



**4.5.2 CGAP IV Implementation**

This section examines the extent to which CGAP stakeholders are satisfied with how the CGAP Operational Team manages CGAP operations and carries out its roles.

**Finding 12: Consulted CGAP stakeholders are very positive about how CGAP’s Operational Team is implementing and managing CGAP IV. Their main concerns relate to the adequacy of CGAP’s expertise given the variety of technical areas it works in and the limited number of CGAP regional representatives.**

Interviews with ExCom members and a survey of CGAP members indicate that both groups of CGAP stakeholders are extremely satisfied with how the Operational Team is carrying out CGAP Phase IV (see sidebar).

96% agreed or strongly agreed that CGAP is managed effectively by the Management Team.

98% agreed or strongly agreed that CGAP works effectively with its members to leverage its expertise in carrying out the broad CGAP mission.

<sup>49</sup> See *A guide to monitoring and evaluating policy influence* (ODI, 2011).

<sup>50</sup> Advocacy and public policy is one of the main foci of this centre.

<sup>51</sup> IDRC’s Think Tank Initiative, a multi-donor program dedicated to strengthening independent policy research institutions, supports think tanks in developing countries to better provide sound research that informs and influences policy.

In evaluation interviews, CGAP stakeholders (including but not limited to CG and ExCom members) made frequent reference to the high calibre and commitment of CGAP staff, which is critical to and consistently reflected in CGAP's high quality products and services.

Interviewed CGAP staff and ExCom members also indicated that CGAP is being more selective and focused in terms of what staff members work on, both individually and within and across work teams. There have also been continuing efforts to encourage increased internal communication and collaboration across work teams to minimize the 'silo' effect, a concern raised in the previous evaluation.

The majority of surveyed CGAP members (84 per cent) agreed or strongly agreed that CGAP has the right kinds of expertise to carry out its roles<sup>52</sup> (or has sufficient access to such expertise). They identified some gaps in relation to the adequacy of CGAP knowledge in areas such as: the political economy, specific technologies (e.g., payment systems, marketing, mobile technology), specific institutional types (e.g., credit unions), and local cultural knowledge and understanding.

#### Stakeholder Comments on CGAP Operational Team

*My institution appreciates a proactive engagement of CGAP's senior management with its members, including feedback sessions, participation in regional initiatives and cooperation with other partners in carrying out its mission.*

*Leadership and resource allocation is appropriate. Staff motivation is good. They are very open and transparent. Management seeks advice when needed.*

*Good leadership.*

*Current administration listens to members, is participatory, interested in partnerships, decisive, says no, engages and listens, uses that information to influence decision. Management is doing all the right things.*

Sixty per cent of CG members surveyed indicated that CGAP's regional representatives enhance its effectiveness; 36 per cent indicated that they do not know. Several of those interviewed or surveyed feel that CGAP does not have enough regional representatives. At the meeting of CGAP Regional Representatives in October 2011 there were calls for having a clear strategy and direction for limited resources for the regions, as well as better inter-team coordination. The Evaluation Team's assessment is that CGAP has cost-effectively done its best to address this concern given its current funding level, but that it could benefit from more dedicated regional representation so long as this dovetails with its overall program strategy.

#### Country Focus and Regional Approach

In October 2011 CGAP staff discussed its geographic strategies and foci in the future, which would include the adoption of a country focus in such places as India, Pakistan, Mexico, Brazil, Ghana, South Africa and UEMOA countries. They also discussed development of regional strategies that would identify 2-3 priorities for CGAP to influence the market in those regions, noting that such strategies would not attempt to replicate all of CGAP's work in the region.

### **Finding 13: CGAP stakeholders are concerned about potential changes in the funding landscape that may have implications for future CGAP programming.**

The current context presents some new financial challenges for organizations like CGAP working in the financial services sector. These include the effects of the current global financial crisis on donors' financial resources, as well as some disenchantment with the microfinance sector following negative publicity concerning the crisis in Andhra Pradesh. Both of these are expected to have repercussions for

<sup>52</sup> CGAP roles include: advocating for standards and adoption of best practices; providing objective, high-quality market intelligence complemented by sector data and analytics; and supporting experimental new approaches, delivery channels and product design.

CGAP in the coming years. Moreover, some uncertainties associated with the World Bank's support to CGAP post 2013 as well as a trend by some donors to shift their CGAP contributions to designated funding create uncertainties for future funding of CGAP and add to the complexity of its planning and management.

### Global

The global economic climate continues to shift and further recessions are forecast in the coming year, with potentially more pronounced troubles for European donors. This could mean a decrease in CGAP's budget in real dollars in future years. Other factors linked to the potential availability of funding and CGAP's financial management include reputational issues that have marred the microfinance sector, e.g. the AP crisis, as well as pressures from increased competition from organizations in the financial inclusion field, which may potentially shrink the pool of available global resources for those working in the sector.

### Designated funding<sup>53</sup>

Although increases in designated funding in recent years have allowed CGAP to carry out work in interesting and innovative areas, designated funds also come with more limited flexibility in choice of work areas or ability to shift programming as CGAP desires or feels is necessary. A few interviewed CGAP stakeholders commented that CGAP must continue to weigh the implications, benefits, and constraints when entering into designated funding agreements.

### World Bank

For the remainder of Phase IV, CGAP will likely be exposed to some funding challenges due to the planned reduction in WB funding, and possibly by the WB's exit strategy, which has been discussed but is yet to be determined (see sidebar).

In 2011, the World Bank Financial and Private Sector Development (FPD) Vice Presidency, in close association with CGAP managers, began to identify how the Bank would wind down its Development Grant Facility (DGF) support to CGAP by 2013, in keeping with DGF disengagement requirements.<sup>54</sup>

FPD is simultaneously exploring the possibility of an alternative trust fund mechanism to fund financial inclusion initiatives, from which CGAP may benefit.

Some interviewed stakeholders voiced their concern that hard fought for donor dollars are wasted on WB administrative fees, including US\$35,000 to establish a trust fund. Although donors can contribute to existing trust funds, individual trust funds are sometimes required by donors because of their governing body constraints including specific reporting requirements, and/or inability to co-mingle funding. As well, in at least one instance, donor funding was held up for two years by negotiations between donor and WB lawyers to negotiate contract wording.

### CGAP Donor Contributions

The majority (62 per cent) of CGAP donors indicate that funding commitments will remain the same in the next few years, while 29 per cent indicated that they do not know if their organizations' core financial contribution to CGAP is likely to increase, decrease, or stay the same.

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<sup>53</sup> Although CGAP is selective about the manner in which it accepts designated contributions, this type of funding still has implications for the flexibility of CGAP's work and ability to adjust the direction of programming, which may be constrained by the conditions of contributors.

<sup>54</sup> Grant programs are expected to incorporate an explicit disengagement strategy. In the proposal, monitorable action steps should be outlined indicating milestones and targets for disengagement. The Bank's withdrawal should cause minimal disruption to an ongoing program or activity.

All of the factors noted above imply that CGAP will need to continue to: identify new sources of funding; partner strategically with others (see finding below); continue the current business model that allows for expansion and contraction based on resources (2 year staff contracts); maintain appropriate operating reserves; and continue to manage with fiscal discipline.



**Finding 14: In Phase IV, CGAP has increased its emphasis on, and effective use of, partnerships.**

The majority of those interviewed who commented on CGAP implementation flagged several positive changes in how CGAP staff collaborates with its members and other organizations in Phase IV as compared to previous phases (see sidebar). During Phase IV, CGAP has placed increased emphasis on strategic partnerships, entering into agreements to share “knowledge for knowledge” and coordinating learning across multiple projects and pilots. Examples of CGAP’s more effective use of partnerships included its engagement of academics who used randomized control trials to measure poverty, as well as the creation of a new publications series to accommodate knowledge partnerships. CGAP has

**CGAP’s use of partnerships**

100% of surveyed members agree or strongly agree that CGAP works effectively with its partners to leverage its expertise in carrying out the broad CGAP mission

92% agree or strongly agree that CGAP works well with others to carry out its mission.

**Stakeholder comments**

*Management is consolidating and thinking differently – brining in non-traditional partners.*

*Models now require partnerships, no one institution does everything. You have to take risks if you want to do something different. To me that is the perfect mechanism to manage risk, like CGAP is.*

*Partnerships are crucial to pick up the message and/or the product. Exit strategies must involve a partner.*

documented its partnerships with CG members over the past 2-3 years,<sup>55</sup> including over 40 examples of partnerships implemented jointly, partnerships led by others, partnerships led by CGAP, and advisory partnerships (where CGAP provides input, advice, and training at the request of a partner).

**4.5.3 CGAP IV Monitoring, Evaluation and Learning**

This section examines the extent to which CGAP has effective and efficient systems in place to produce timely and useful information needed by its key stakeholders, and the utility of existing monitoring and evaluation systems as a source of organizational and program learning.

**Finding 15: CGAP has established effective systems to monitor and evaluate progress at the project level and to monitor program outputs and outcomes. It lacks a strategy and systems to assess (monitor and evaluate) its performance vis-à-vis its overall objective and across program goals.**

According to the Phase IV strategy, CGAP’s monitoring and evaluation systems consist of four main elements:<sup>56</sup> a) internal monitoring at the level of individual projects; b) external evaluations of multiphase projects, which are built into the project designs; c) client impact assessments on various pilot initiatives; and d) a mid-term assessment of Phase IV.

<sup>55</sup> From CGAP internal document: “Partnerships with CG Members”

<sup>56</sup> CGAP reviews the performance of Operational Team members annually against their individual workplans and performance targets.

## Project Level Monitoring and Evaluation

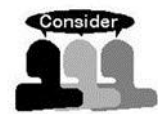
A review of selected IC projects indicates that CGAP pays considerable attention to monitoring and evaluation and that the scope varies with the value of the IC project. For example, the \$11.4 million CGAP Technology Program and Client Research project includes a very detailed proposal and logframe, has procured the services of a specialized firm to monitor the project’s performance over time, and includes provisions for an end-of-project evaluation. Other smaller projects (e.g., the Policy Advisory Initiative and Youth Savings) rely more on internal monitoring and periodic external evaluations of their work. There is evidence that CGAP takes the recommendations and advice from evaluation reports seriously.

## Program Level Monitoring and Evaluation

CGAP’s overall performance is an ongoing implicit priority of CGAP’s senior management and the ExCom and is being reviewed more systematically in Phase IV than in previous phases, particularly at the level of outputs and outcomes. At the same time, while CGAP has established an overall objective and three program goals, it currently lacks a system to collect information and report on its contributions at these levels – which seems to be a “missing link” in its overall performance story.

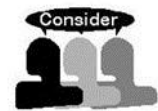
**Monitoring** – At the program level, monitoring consists of Results Framework Reports that are prepared by CGAP staff on a semi-annual basis as part of their overall monitoring reports to the IC and the CG, as well as narrative reports for each goal that describe representative accomplishments during the period, list activities undertaken, and provide updates on disbursements, risks and challenges.

In future, CGAP might want to consider developing a strategy and process to guide overall program level monitoring on a periodic basis. (This could include reviews of the CGAP Results Framework, strategies, and assumptions to identify and operationalize needed changes.) It might also consider designating a “sparring partner” (internal or external to CGAP) to facilitate such reviews on a periodic basis.



**Evaluation** – CGAP commissions regular mid-term evaluations (MTE) of its program performance, typically in the third or fourth year of a program phase. While the TOR include provision for identifying needed changes in the remaining period of a phase, in practice the MTE is conducted in the final stage of the program phase, which leaves limited opportunity for changes to be implemented. A review of previous MTEs does suggest that they have been used to inform future programming phases; however, MTEs cannot provide CGAP with a summary of what was finally accomplished in any phase as the program is ongoing at the time of the evaluation.

CGAP should clarify if and how future program evaluations should support its learning as well as its accountability needs, and take the necessary measures to align the design of such reviews with its expectations. See Recommendation 4 (Section 6.2).



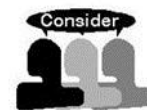
## Overall Performance Monitoring and Evaluation

As part of its annual workplan process, CGAP has a process in place to monitor and report on overall CGAP IV program performance at the output and outcome levels, both annually and cumulatively in the context of planned annual workplan and the Results Framework. However, there is no distinct formal process in place – overseen by the ExCom or senior management – that provides an overall assessment of CGAP’s planned/actual cumulative performance at the level of its overall objective or across its program goals that can be used to track its performance over time (regardless of the phase). Nor is there a formal process in place to identify changes needed in its strategy or Results Framework.

As became apparent during the planning phase for this evaluation, a focus on program results is necessary, but not sufficient to address the types of priority questions identified in IEG evaluation guidelines for GRPPs (e.g., sustainability of CGAP results or CGAP’s financial viability).



To address this matter, and as discussed in Recommendation 4 (Section 6.2) CGAP should consider establishing a strategy and process to evaluate its effectiveness at the overall corporate level and across program goals that complements and builds upon existing evaluation processes.



**Finding 16: CGAP members are generally satisfied with its reporting practices. However, the time that staff spend producing some reports is not commensurate with their perceived value to surveyed CGAP members.**

The majority of CGAP members surveyed (96 per cent) indicated that CGAP’s reporting practices and reports meet the needs of their organizations. Among those interviewed who commented on CGAP reporting practices, there was mixed satisfaction with CGAP reports. Some feel that the current focus on outputs and outcomes is appropriate, while others would prefer CGAP to report more on its influence at the market level (acknowledging the various associated challenges).

When questioned about the relative importance of CGAP sources of information, CGAP members surveyed indicated that CGAP staff and publications are the most important sources of information (see Exhibit 4.1); this echoes the

Known since its inception for creating rigorous publications, in recent years CGAP has increased the use of blogging and social media (see section 4.3). Through these mediums, CGAP is able to share information with its audiences around the world in real time and collect useful feedback for its future publications.

very positive feedback from interviews with other stakeholders. Interestingly, the CGAP Annual Report (which consumes considerable CGAP resources) is regarded as the least useful source. Other sources deemed less useful include monthly highlights and one-pagers on specific topics. This feedback raises some questions about how CGAP should use its time to communicate with CG members.

**Exhibit 4.1 CG Members Survey Results – Importance of CGAP Sources of Information<sup>57</sup>**

Source of information	Most important (scores 1,2,3)	Neutral (score 4)	Least important (scores 5,6,7)
CGAP Annual Report	29%	6%	67%
CGAP website (cgap.org)	54%	21%	24%
CGAP publications	64%	23%	14%
CGAP staff	67%	10%	25%
CGAP Monthly highlights <sup>58</sup>	39%	17%	45%
CGAP One-pagers on specific topics of interest	38%	14%	47%
CGAP Annual Meeting (including workplan presentation)	49%	17%	34%

<sup>57</sup> Due to rounding, some totals are not equal to 100 per cent.

<sup>58</sup> CGAP reports that recently it has been providing ad hoc briefings for members rather than Monthly Highlights.

A review of CGAP Phase IV reporting practices indicates that CGAP staff produces six types of reports annually for different audiences for accountability purposes (see sidebar). CGAP staff report that they have explored the possibility of producing one generic report for donors, but this has not been acceptable to some donors who have specific detailed reporting needs and requirements. Interviewed CGAP staff note that these donor reports put a heavy burden on staff, time that could be used for other purposes.

**CGAP Reports**

Monitoring Reports (semi-annual) for IC, CGAP staff and CG

Annual Workplan (annual) for CG

Workplan update (semi-annual) for CG

Annual Report for all stakeholders

World Bank (FPD) Reports (monthly) for FPD

Donor reports (various reporting periods) for specific donors

## 4.6 CGAP Governance and Accountability

**Finding 17: Surveyed CGAP members are generally satisfied with CGAP’s governance, structure and processes. There are mixed views on the need for changes in CGAP’s membership base.**

The CGAP Phase III Mid-Term Evaluation concluded that CGAP has adequate governance systems that are transparent and thorough in providing information about the program. It noted that the ExCom provides adequate strategic oversight to the Operational Team, as well as accountability to CG members. For these reasons, CGAP governance was not identified as a major point for this evaluation, and a cursory review of CGAP governance structures and processes indicates that there is continued satisfaction in Phase IV.

### Role of ExCom

Overall, surveyed CGAP members were very positive about the role of the ExCom. The majority of respondents (72 per cent) agreed or strongly agreed that the ExCom plays an effective role in governing CGAP. However, 28 per cent of respondents stated that they “don’t know,” which may be a reflection of the limited involvement of some members.

### Stakeholder comments on ExCom

*They are the content and mission guardians [of CGAP] and it is a very good working atmosphere at the ExCom. It is a working board in that they really roll up their sleeves.*

*The ExCom has the types of expertise it needs – everyone has a broad perspective.*

### Member Participation in Phase IV

The Phase IV evaluation matrix includes a question on the compliance of CGAP members with their commitments under the CGAP charter. As shown in Exhibit 4.2, CGAP members are respecting the CGAP guidelines. However, some of the Member’s commitments as currently defined in the Charter are less relevant, given CGAP’s increased emphasis on financial inclusion. CGAP may wish to review and revise how Members’ commitments are defined in the CGAP Charter to reflect this.



**Exhibit 4.2 Assessment of CGAP Members’ Planned/Actual Commitments**

CGAP Member Commitments <sup>59</sup>	Status	Comments
<p>Contribute core funding in cash to carry out CGAP’s operations.</p> <p>CGAP members are required to provide a minimum annual contribution of US\$250,000 to support CGAP’s core programming costs (a.k.a. core funding). Members are not permitted to make other types of financial contributions to CGAP unless they contribute to core funding; exceptions to this rule have been made to accommodate a few members that are unable to comply with CGAP requirements.<sup>60</sup></p>	<p>In FY 2009:</p> <ul style="list-style-type: none"> <li>• 25 CGAP members contributed US \$12.9 million to CGAP’s core funding</li> <li>• 4 members provided \$3.9 million in designated funding</li> </ul> <p>In FY 2010:</p> <ul style="list-style-type: none"> <li>• 28 CGAP members contributed US\$13.2 million to CGAP’s core funding</li> <li>• 2 members provided \$6.6 million in designated funding</li> </ul>	

<sup>59</sup> From the CGAP Charter (May 2010)

<sup>60</sup> One example is the Ford Foundation which is unable to contribute to CGAP directly due to conflicting WBG/Ford Anti-Money Laundering/ Combating of Financial Terrorism (AML/CFT) language. Instead, Ford supports CGAP initiatives via direct payment to receiving organizations.

CGAP Member Commitments <sup>59</sup>	Status	Comments
	<p>In FY 2011:</p> <ul style="list-style-type: none"> <li>• 28 CGAP members contributed US\$13.4 million to CGAP's core funding</li> <li>• 4 members provided \$5.7 million in designated funding</li> </ul>	
<p>Adopt and actively promote implementation of standards and good practice principles of effective support to microfinance as outlined in the suite of CGAP consensus documents, including Good Practice Guidelines for funders of Microfinance or successor documents to be agreed upon</p>		<p>Given the shift in emphasis from microfinance to financial inclusion, the emphasis in the Charter on microfinance guidelines may no longer be relevant.</p>
<p>Participate actively in the CGAP Annual Meetings</p>	<p>The vast majority of members attended CGAP Annual Meetings from 2008 to 2012.</p> <p>Several members sent multiple delegates, and there is evidence that the same individuals continue to participate over time, demonstrating their ownership of, and value associated with such meetings.</p>	<p>Aside from participation in annual meetings, CGAP has not defined an indicator to measure a member's level of activity.</p> <p>For example, CGAP members participate in the ExCom, make presentations on behalf of CGAP in various regional and international conferences, and/ or actively participate in the development or revision of CGAP publications).</p> <p>CGAP should review the commitment as currently articulated and revise it so that member participation in all areas can be measured over time.</p>
<p>Agree to open the organization to sharing experiences with other funders, including:</p> <ul style="list-style-type: none"> <li>a) providing aggregate information on its portfolio of microfinance activities</li> <li>b) reporting on how it is applying the consensus documents</li> <li>c) providing contact information for all staff working in microfinance or access to finance.</li> </ul> <p>Members are strongly encouraged to submit this information to CGAP on an annual basis prior to the CGAP Annual Meeting</p>	<ul style="list-style-type: none"> <li>a) CGAP members are surveyed annually</li> <li>b) Currently CGAP members are not surveyed on how they use the consensus documents.</li> <li>c) CGAP staff report that CGAP members regularly provide this information.</li> </ul>	<p>As noted above, the relevance of the focus on the consensus documents may no longer be appropriate given the current emphasis on financial inclusion.</p>

## Membership Base

Surveyed CGAP members have mixed views on the appropriateness of its current membership base to achieve its actual/planned roles in financial inclusion. While 60 per cent agree or strongly agree that it is appropriate, 36 per cent disagree or strongly disagree, and the remaining 8 per cent indicate they do not know. Some interviewed stakeholders suggested that CGAP should consider revising membership eligibility in order to expand membership to include the BRICS, financial service providers, policy makers, and other types of relevant interested organizations, taking into account CGAP's mission and ambitions with regard to financial inclusion. Others

suggested that CGAP should instead broaden its networks and enrich its knowledge and understanding of other key groups involved in financial inclusions through designated seats on the ExCom, the creation of a second category of membership, and/or through joint collaborations and/or partnerships with such groups. These varying views are well known to CGAP's internal stakeholders, and are part of its ongoing strategic reflections and discussions.

## Role of the Investment Committee

A few interviewed CGAP stakeholders noted that the Investment Committee roles and responsibilities need to be reviewed as they have not kept pace with the evolution of its role. At the time of writing, FPD and CGAP were in the process of reviewing the ongoing relevance of the IC mandate in light of two significant changes. First, while CGAP continues to administer grants, the number of grants issued in a given year has declined steadily since early Phase III. Second, the World Bank Group's Trust Fund Policy Office has fiduciary oversight on all WBG administered grant programs which changes the role of the IC as originally envisioned from 'fiduciary' to 'technical advisor vis-à-vis other WBG operations. In practice, this new role is already in place, but the charter and other documents need to be revised to reflect this change.

### **Finding 18: While stakeholders have a range of views on the CGAP-World Bank relationship, it generates a number of strategic, reputational and operational benefits for CGAP, as well as some reputational benefits for the Bank.**

The administrative arrangement between CGAP and the World Bank is a topic that has been discussed during the last few phases of CGAP and that continues to be a point of discourse in Phase IV.

Survey results and interviews with stakeholders painted a mixed picture of CGAP members' feelings on the CGAP-WB relationship. In the survey of CGAP members, 48 per cent agree that it is important that CGAP be housed in the World Bank (although none strongly agree), while 28 per cent either disagree or strongly disagree, and 24 per cent don't know. Consulted stakeholders provided a range of comments, as shown in the sidebar.

### **Interviewed stakeholder views on expansion of the membership base**

*CGAP will need to look for new member/donors such as Brazil, Malaysia, India, China. We must communicate CGAP's standards for the new funders. I do not think that private investors can become members, as they may not be able to comply with Smartaid.*

*If CGAP starts including other groups among members, including the BRICs – who do not share the agenda – it would make governance impossible. They would represent their own interests more than the one above. I fear it could become like a G20-representation than bound by common vision.*

*I am not a fan of expanding countries or types of institutions among members. It would be better to reflect other types of input that might reflect financial inclusion on the ExCom rather than as members, as the CG has limited influence on what CGAP does. CGAP could hire a senior member from a credit union movement to better reflect financial inclusion.*

*If we bring in BRICs as members it will fundamentally change CGAP. I think emerging economies are going to drive more for the future and we need to focus on that.*

While stakeholders have assorted views on the CGAP-World Bank relationship, it is clear that this association continues to generate a number of significant strategic, reputational and operational benefits for CGAP, as well as some reputational benefits for the Bank (see Exhibit 4.3).

The Evaluation Team’s overall assessment is that this association is very valuable and should continue in the immediate future.

**Exhibit 4.3 Benefits and Drawbacks of CGAP-WB Arrangement**

**CGAP stakeholder comments on the WB-CGAP relationship**

*It is a double edge sword and you play whichever way suits you at the moment. We are housed here and we play our closeness with the WB when it suits us and we play our independence when it suits us...it requires deftness and diplomacy to do that.*

*Now that the World Bank has its own financial inclusion program, CGAP can provide support without replacing the World Bank’s role.*

*There has been historically a good understanding that CGAP having some independence has had some advantages for the Bank. There has always been a strong relationship and understanding of the branding of CGAP apart from the Bank and it’s seen as a good thing.*

*CGAP remains viewed as a global organization with a history of neutrality; it has the credibility of the WB without its baggage.*

*WB is a hindrance, a stumbling block in CGAP’s way...I don’t see value added in-house in the World Bank.*

*I know the Bank is in 138 countries with offices in each, it opens doors, it is huge. But maybe not; maybe CGAP is now mature enough to craft a different role.*

Benefits	Drawbacks
<p><b>Credibility:</b> CGAP’s close association with the World Bank provides it with global recognition and linkages with governments and donors, access to the Bank’s stakeholders, particularly policy makers at the national level, and opens doors for CGAP speaking opportunities and a network of professionals. This continues to be a valuable asset, particularly in countries or institutions where CGAP is not well known.</p>	<p><b>Confusion as to CGAP’s structure and neutrality:</b> CGAP may not be seen as neutral, affecting its convening power, and also could be seen as too close to WB’s commercial agenda. The arrangement creates confusion as to what CGAP is supposed to be, as it is hard to understand structure and links to the WB.</p>
<p><b>CGAP provides WB with a different approach:</b> The WB benefits from CGAP’s ability to provide fast, nimble responses and a fresh understanding of the market</p>	<p><b>Competition:</b> Due to the potential overlap of work on financial inclusion, competition between CGAP and the WB, especially related to policy initiatives, may cause tensions. A few consulted stakeholders feel that the WB is unnecessarily empowered by housing CGAP.</p>
<p><b>Flexibility:</b> CGAP maintains independence and can decide how to use its resources.</p>	
<p><b>Access to World Bank systems and support services</b> (e.g., human resources, recruitment, financial management, procurement, legal support, information technology)</p> <ul style="list-style-type: none"> <li>• Can provide economies of scale for CGAP stakeholders in some areas (e.g., information technology)</li> <li>• Can give confidence to prospective financial contributors that CGAP is managed in keeping with World Bank procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• Can contribute to inefficiencies typically associated with large bureaucratic institutions (e.g., the Bank’s recruitment and procurement policies) which are particularly problematic for organizations such as CGAP that need to be nimble and flexible enough to respond to their evolving contexts.</li> <li>• WB administration processes and heavy reporting requirements are time consuming and distinct from other CGAP reporting systems.</li> <li>• Financial constraints on donations can result in large sums of CGAP donor money tied up for up to two years in legal contract negotiations.</li> </ul>
<p><b>Staff benefits and expectations:</b> CGAP’s arrangement with the World Bank provides CGAP staff with several advantages (including the prestige of working for the Bank, staff benefits, and so forth) that many of its peers would have difficulty competing with.</p>	<p>CGAP cannot provide staff the same types of professional or career development opportunities that might be found among its peer organizations.</p>

Benefits	Drawbacks
<p><b>Opportunities to leverage results:</b>                      WB provides CGAP a strategic approach linked to business needs and knowledge objectives – especially in the areas of policy, donors/investors and technology.                      CGAP’s positive track record and reputation more generally and among Trust Funds provides opportunities for the Bank to “take some credit” for investing in what is largely viewed as a highly relevant, valued and effective initiative over time.</p>	
<p><b>WB absorbs risk:</b> CGAP benefits from the WB taking on fiduciary risks as CGAP ‘piggy-backs’ on its infrastructure for providing checks and balances on risk exposure. Donors can give money to the WB without worrying about risks and their responsibility.</p>	

## 5. CGAP Phase IV Performance

### 5.1 Overview

The chapter examines CGAP-IV program performance for each of the three goals in the CGAP-IV Results Framework in terms of relevance and effectiveness (see sidebar).

#### OECD DAC Definitions for Program Evaluation

**Relevance:** The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies. Retrospectively, the question of relevance often becomes a question as to whether the objectives of an intervention or its design are still appropriate given changed circumstances.

**Effectiveness:** The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.

### 5.2 Goal 1: Building Financial Market Infrastructure

#### 5.2.1 Introduction

CGAP's Goal 1 is: "to support a more efficient financial market infrastructure for poor people to make small value transactions."

This goal includes two outcomes. The first is related to viable models for financial services that deliver clear benefits to poor people and are ready for adoption. The Technical and Business Model Innovation program and the CGAP-Ford Graduation Program are the two core CGAP activities in support of this outcome. The second outcome is related to increasing emphasis on financial and social performance through industry norms and the new and expanded information sources. CGAP programs in support of this second outcome include the engagement with the Social Performance Task Force, board role and funding to the MIX, and the Social Performance Reporting Awards.

While one could argue that all of CGAP's programs and activities support Goal 1, in order to avoid overlap this section does not address the programs and activities that relate to Goal 2 (policy and government) or Goal 3 (donors and investors). For example, a good deal of CGAP's branchless banking work is related to improved policy, which overlaps with Goal 2.

Over the course of the evaluation period, some programs related to Goal 1 were completed or spun off, for example the information systems work was completed in 2011 with the publication of a toolkit and software reviews spun off to the MIX platform. The Social Performance Transparency Award was also wound down after two successful rounds, and now more than 300 institutions provide social performance information to the MIX.

Finally, with the creation of a new Clients and Products team in FY12, responsibility for the Graduation Program has moved from the Technology and Business Innovations Team to the new team.



## 5.2.2 Programs and Activities Related to Goal 1

The primary ways in which CGAP operationalized Goal 1 in the past three years are shown in the sidebar.

### Strategies and Key Messages

CGAP's primary strategies related to this goal are the extraction and dissemination of knowledge. CGAP uses a variety of media and approaches to influence targeted stakeholders, using familiar language to inform them and highlight relative incentives to affect positive changes in all its programmatic areas.

Since it is difficult to make direct links between some of CGAP's activities and their influence on the financial market infrastructure, the Evaluation Team focused its analysis on how several "key messages" that CGAP had been promoting were resonating with stakeholders.

**Technology and Business Model Innovations** – Over the past few years, industry and governments have begun to embrace branchless banking – the use of technology and agents to provide financial services – as an opportunity to reach people who do not have access to formal financial services. In response, the global environment for technology-enabled business models has quickly evolved and has become a fertile incubator for innovation. A recent global survey found that at the end of 2011 there were 120 active branchless banking businesses worldwide. CGAP's Technology and Business Model Innovation program builds knowledge about client needs, agent networks and business models; works with partners to strengthen markets so that promising branchless banking services can succeed; and promotes policies and regulations that allow branchless banking to expand and reach unbanked populations. CGAP forges partnerships with governments and regulators, CGAP members, and businesses to learn from them and share knowledge with them. Examples of messages stakeholders attributed to CGAP include:

- Build on understanding of client needs and existing infrastructure to create cost effective products.
- Business partnerships can be used to creatively expand outreach.
- For branchless banking to work, financial service providers (FSPs) need effective marketing, stable technology, regulatory permission, robust agent networks and appropriate products.
- Price financial products low to increase uptake.

**Clients Program** – While CGAP's Clients Program is the newest (formally begun in July 2011 and therefore outside the scope of this evaluation period), it comprises a number of activities that started earlier, including the Graduation and Youth Savings Accounts programs. Previously, CGAP had treated client needs as an issue that cut across all its programs. CGAP decided that a greater emphasis on clients was needed in light of increasing levels of client indebtedness in several countries and growing concerns that the financial markets did not fully understand the diverse needs of low income clients. CGAP's key message is that clients need to be at the centre (i.e., involved in designing products and solutions that meet their needs). Several stakeholders interviewed agreed with CGAP's increased emphasis on clients and commended it for shining light on the need to understand client demand according to market segments and to design appropriate products.

### CGAP Programs & Activities Related to Goal #1

- Technology and Business Model Innovations Program – the most heavily funded and therefore largest program
- Clients Program – a new program started in 2011 that houses the previous Graduation program and YouthSave Initiative
- Other advisory and capacity building activities

### CGAP programs/activities that were phased out or cancelled during the period:

- Information Systems (phased out)
- Governance of the MIX (phased out)
- Microfinance Management Institute (cancelled)

The enhanced emphasis on clients also reinvigorated the Graduation program, which had been slower than anticipated to demonstrate results (e.g., it took closer to 36 months, rather than the 18 months

The key message of the Graduation program is that the ultra-poor need more than just a loan, that often savings is more important than a loan, and that a more holistic approach including capacity and asset building is needed.

originally anticipated, to graduate out of extreme poverty) and was proving to be less successful in terms of permanently linking the “ultra-poor” to formal financial systems.

Nonetheless, multiple stakeholders expressed appreciation for the ground-breaking work, which they said was well documented in CGAP’s publication, *Reaching the Poorest: Lessons from the Graduation Model* (April 2011).

Similar to the research findings related to serving the “ultra-poor,” CGAP’s research contributed to the YouthSave Consortium’s emphasis on the need for a holistic approach to supporting the needs of youth, including coaching, financial literacy, skills training, etc. One of the key messages that CGAP effectively conveyed to local partners of its YouthSave pilots was the importance of having a long-term market perspective on the value of serving the small transaction needs of youth, given the global population is projected to expand from 7 to 9 billion by 2050.

### 5.2.3 Relevance

#### **Finding 19: Goal 1 of CGAP-IV is highly relevant as the majority of the world’s poor remain excluded from formal financial markets.**

CGAP-IV’s Goal 1 is highly relevant due to growing global awareness of the need to integrate more of the world’s financially excluded poor into the formal financial sector. Financial inclusion has become an important goal for many national policymakers, multilateral institutions, and others in the development field.<sup>61</sup> For example, the United Nations adopted the goal of building inclusive financial systems in 2005 as part of its International Year of Microcredit. The World Bank has also been focusing on assisting in the design of effective policies and tracking progress toward global financial inclusion since 2005, when it began collecting the first set of indicators of financial access in countries around the world. Currently, the World Bank estimates that approximately 56 per cent of the adult population remains excluded from formal financial systems and that 64 per cent of these live in developing countries (approximately 2.7 billion adults).<sup>62</sup> Using household data, recent empirical evidence indicates that access to basic financial services (such as savings, payments and loans) can have positive impact on improving the lives of the world’s poor.<sup>63</sup>

Research has demonstrated that some of the barriers to financial inclusion include the poor’s demand for small value transactions and the high costs of reaching them (hence, the need to improve market efficiencies). The United Nations acknowledges that disbursing, managing and collecting installment payments on many small loans, often at frequent intervals, is significantly more costly than for fewer loans of larger amounts. Higher transaction costs are due to the fact that reaching poor clients requires more staff time because of the need to explain client and financial institution responsibilities and

<sup>61</sup> CGAP’s definition per its “Financial Access 2009” paper, which some stakeholders said should emphasize “use” of financial services, as well as access. Fortunately, CGAP’s Goal #1 implies access and use of small value transactions.

<sup>62</sup> World Bank. (Jan. 2011). *Access to Financial Services and the Financial Inclusion Agenda around the World*.

<sup>63</sup> Caskey, John, Clemente Ruiz Duran and Tova Maria Solo. (2006). *The Urban Unbanking in Mexico and the United States*. World Bank.

obligations, and the travel distances over poor infrastructure.<sup>64</sup> The Inter-American Development Bank's multiple country study, *Interest Rates and Implications for Microfinance in Latin America and the Caribbean*, found that increased competition was the greatest factor in reducing interest rates for microfinance clients and that larger loans were more efficient for MFIs to manage than smaller loans (up to approximately \$1800). Finally, research showed that outreach to women and the rural poor decreased if MFIs were not able to cover their higher costs by charging higher interest rates.<sup>65</sup>

**Finding 20: Goal 1 of CGAP-IV remains highly relevant to CGAP members and market stakeholders.**

CGAP's Technology and Business Model Innovations program has been the best funded of CGAP programs and, not surprisingly, is a program that many interviewees pointed to as an example of the unique value that CGAP has added to improve knowledge and support its mission.

The Clients Program is the newest CGAP program and ExCom members, staff, and other stakeholders expressed strong agreement with the decision to put "Clients at the Center." While many acknowledged that clients are an integral part of everything CGAP does, more attention was needed to ensure clients' interests were considered, especially in light of the concerns related to client protection and over-indebtedness. Many attendees at the recent "Clients at the Center" workshop acknowledged the need to learn more about clients' lives, behaviours, needs, and means of managing their money, including their use of other services beyond microcredit.

### 5.2.4 Effects and Impacts

This section focuses on the perceived influence (effects and impacts) of CGAP's work related to Goal 1, using the criteria shown in the sidebar.

**Basis for assessing CGAP effects and impacts for Goal 1**

Evidence that financial service providers have changed policies or practices to support greater financial inclusion since July 1 2008

Number of surveyed/interviewed who credit CGAP with influencing these changes

The CGAP Results Framework for the period outlined the outcomes, indicators, and outputs associated with Goal 1. For the most part, CGAP is widely recognized for making significant contributions to Goal 1 over the past three years, as highlighted in the findings below. CGAP has played an active role in supporting the expansion of financial services to poor clients, who generally demand small value transactions that must be offered at costs low enough to be economically viable for clients and the financial service provider.

**Finding 21: Interviews indicate that many financial service providers have changed policies and practices in line with CGAP's advice.**

**The Technology and Business Model Innovation program** concentrates on building global knowledge to influence change at the policy and regulation, market ecosystem and business levels. By facilitating knowledge extraction and sharing, CGAP adds value to policy makers, markets and businesses that can benefit from the lessons of those experiences.

When the Technology and Business Model Innovation program launched in 2006, there were very few branchless banking services, so CGAP focused on supporting innovative businesses that showed the most promise. Through partnerships, CGAP provided advice and support to a number of financial service providers resulting in an increase in the number of viable models for financial services to the poor. Of the 12 financial service providers interviewed, the majority (83 per cent) credit CGAP with playing an

<sup>64</sup> P.29, C.P. Chandrasekhar, "Financial Policies," United Nations, 2007.

<sup>65</sup> Campion, Ekka and Wenner, IADB Working Paper Series, IDB-WP-177, March 2010.

important role in guiding their implementation process. For example, CGAP was credited with offering information that highlighted the specific steps, risks and benefits of working with various partners to create and disseminate a new product or to serve a new market. At least six of the businesses have demonstrated financial viability and also influenced the development of the markets they were in. (Appendix VI describes the business models and partners with which CGAP had worked as of the end of 2011.) Taken together, these six had at least 2.9 million clients by mid-2011, and according to recent surveys by Coffey International in India, Pakistan and Mali, approximately 40 per cent of those clients live on less than \$2.50 per day, suggesting that these models are serving low income populations.

As early innovations began to show promise, other organizations, including CGAP members, began to support new business models. As a result, in 2009 CGAP began to shift into a market ecosystem approach of connecting and engaging with policy makers, businesses, and funders to try to create the right conditions for services to thrive. CGAP's activities are concentrated in a limited number of focus countries, where they simultaneously address issues of policy, business environment, competition, and demand. Each focus country has a large number of unbanked people; supportive policy makers and regulators; multiple interested businesses; and regional, if not global, influences. The focus countries are Brazil, Ghana, India, Mexico, Pakistan, South Africa, and the countries within the West African Economic and Monetary Union. CGAP also continues to work in less concentrated ways with policy makers and practitioners around the world.

### Through its Graduation

**program**, CGAP has supported 10 holistic models to lift the ultra-poor out of extreme poverty, including asset-building grants, financial literacy, skills training and access to financial services (primarily savings). To date, three of the pilots have demonstrated their ability to “graduate” clients out of poverty and link them to financial services (Trickle Up and Bandhan in India and Fonkoze in Haiti). See sidebar for list of graduation pilot countries and partners.

#### Graduation Pilot Countries and Partners

**Ethiopia:** Relief Society of Tigre

**Haiti:** Fonkoze

**Honduras:** ODEF & Plan International

**India:** Trickle Up, Bandhan and SKS

**Pakistan:** Poverty Alleviation Fund with Aga Khan Planning and Building Services, Indus Earth Trust, Sindh Agricultural & Forestry Workers Coordination Organization, Orangi Charitable Trust

**Peru:** Asociacion Arawiwa & Plan International

There was no data related to the cost-benefits of these initiatives available from CGAP at the time of writing; thus the Evaluation Team is unable to comment on the efficiency of these initiatives. CGAP plans to do more research on the cost-effectiveness of these business models for the clients and the financial institutions.

**Finding 22: In addition to realizing planned outcomes associated with Goal 1, CGAP has also contributed to some important impacts in the mobile phone industry in developing countries.**

Through the approach CGAP took in the early days of the program when it supported innovative businesses, CGAP was able to leverage impacts related to Goal 1 through its work with Eko, the first company in India to base its business on the use of mobile telephones. Eko partnered with the State Bank of India (SBI), the largest bank in India, to offer accounts to unbanked people. Eko's business has developed over time, but still remains relatively small in the Indian context. At the same time, however, the Eko experience had a considerable influence on changes the regulator made to open up opportunities and on how other players in the market began to think about opportunities. For example, SBI management credits CGAP with engaging the Indian regulators to be more supportive of financial inclusion, linking technical support providers, and delivering workshops on how to manage delivery channels to make them more financially sustainable and scalable. As a result, SBI was able to drive more transactions through the Eko network and expand to 25,000 outlets across India with almost 7 million accounts (including savings and remittances).

An independent study by Coffey International Development,<sup>66</sup> which summarized findings from interviews with 814 Eko clients at 32 agent locations, found that:

46% of clients were living on or below the poverty line of \$2 per day (i.e., almost half of clients were poor)

39% of clients had not used any form of financial service before (i.e., Eko was reaching a large number of previously financially excluded clients)

76% rated the branchless banking services as highly effective (i.e., most clients were satisfied, offering indications that the products and services were appropriate)

In Pakistan, CGAP supported Tameer Microfinance Bank to experiment with point of sale (POS) and mobile telephone based systems beginning in 2008. This ultimately led to a partnership with Telenor, the second largest mobile network operator in the country, to launch a branchless banking business, EasyPaisa. At the same time, CGAP worked directly with the regulator to create and subsequently update branchless banking regulations. CGAP also began to work with other businesses in the market as well as with the Government program responsible for social payments to poor households. Today Pakistan has become one of the fastest moving and most innovative country markets globally. EasyPaisa itself has processed 10 million transactions through a network of more than 12,000 agents and signed up almost one million "mobile wallet" clients in less than a year. Stakeholders in Pakistan credit CGAP with helping them to achieve these results due to the important role CGAP played in facilitating understanding between telecommunications companies, financial institutions and regulators. More important, through its advisory services, blogs and publications, CGAP helped to stimulate the entrance of other players to the market and transfer knowledge of branchless banking to regional and international audiences.<sup>67</sup>

### 5.2.5 Conclusion

In summary, CGAP has made several positive contributions to support a more efficient financial market infrastructure for poor people to make small value transactions. It has played an important role in demonstrating the potential for new technologies and approaches to serve the poor and help them "graduate" out of extreme poverty. It can point to growing uptake in multiple developing countries and by a variety of institutions, which indicates that CGAP's work is likely to continue to result in increased

<sup>66</sup> <http://technology.cgap.org/2011/06/17/does-branchless-banking-reach-poor-people-the-evidence-from-india/>

<sup>67</sup> Chris Bold blog, <http://technology.cgap.org/2011/05/24/pakistan-branchless-banking%E2%80%99s-business-model-laboratory-2/>

financial access to the poor in the future. The main challenges ahead will be to demonstrate the extent to which branchless banking models can also apply in smaller countries and serve rural areas, where the majority of the world's poor live. With regard to the Graduation model, it remains unclear how the full costs of the holistic approach will be covered in order for it to be applied more broadly. CGAP is already exploring the intersection of these two approaches by linking technology to conditional cash transfer programs, such as in Brazil, which could shed some light on the issues in the future. CGAP's Client program should also contribute to unlocking the full potential of low-income clients to effectively use the increasing array of financial services being made available to them.

## 5.3 Goal 2: Fostering Enabling Policy Environments

### 5.3.1 Introduction

CGAP-IV's Goal 2 is "to support policy environments that balance increased access, financial stability and protection of the poor clients."

For CGAP, this goal implies that its programs, efforts and activities are helping to make policy environments inclusive of all populations and addressing concerns that have previously created barriers to access for the poor. CGAP supports policy environments that ensure financial stability, especially related to protecting the public's deposits, but also that result in improved transparency and strengthened financial institutions. CGAP offers advisory assistance to governments and policy makers to encourage innovation and market competition to the extent that it benefits low income populations and addresses their broad needs for financial services, including savings, loans, insurance, transfers and remittances, among others. CGAP aims to strike the appropriate balance between reducing regulations that limit the spread of low cost financial services while minimizing the potential for mistreatment of customers, fraud and financial crime, which can both destabilize financial systems and harm the vulnerable customers it is CGAP's mission to help.

CGAP-IV's Goal 2 focuses on the policy environment and complements Goal 1 in the sense that it lays the groundwork to build more efficient financial markets for poor people to make small value transactions. While a sound policy and regulatory framework is not necessarily sufficient to attract private investment to the financial system, non-supportive policy environments can be an initial obstacle.

### 5.3.2 Programs and Activities Related to Goal 2

The primary ways in which CGAP operationalized Goal 2 in the past three years was through its Policy and Government Program, which included activities linked to the themes shown in the sidebar.

#### CGAP Programmatic Themes Related to Goal 2

- Regulation and supervision for financial inclusion
- Policy and regulation for branchless banking
- Responsible finance, including consumer protection (through regulation and industry action) and financial literacy and capability
- Trends in policy interventions to support financial inclusion

#### Strategies and Key Messages

CGAP's policy work over the period focused on assisting policy makers, regulators and supervisors to establish effective approaches to their work, with a view to increasing access, while also protecting financial stability and poor consumers of financial services. This included engagement with influential global actors, such as the financial sector standard-setting bodies to consider financial inclusion in their work, as well as work with global- and country-level policy makers to understand innovations, such as branchless banking that have significant potential to reach financially excluded customers who could not be served sustainably with conventional approaches.

Given the success of its earlier work on microfinance regulation and supervision,<sup>68</sup> CGAP has faced increasing demand for its services in the areas of policy and government. Given its declared interest in being a knowledge developer and broker rather than a service provider, following an internally commissioned review in 2010, CGAP's strategy has been to limit its advisory services to those areas that offer: a) potential to have an impact on policy in 'reference countries' (such as those with a large population, e.g., India, and/or significant influence over policy developments in other countries, e.g., Mexico or Brazil) or b) new learning or demonstration potential, or potential to add value to current research and knowledge. In other words, CGAP has moved away from simply providing technical assistance to more "think, do and show" work. To accommodate the many other requests, the Policy and Government team has devoted significant attention to developing a cadre of policy consultants to whom it can refer requests for more generic technical assistance.

As CGAP has broadened its emphasis to financially inclusive markets, it now works less on advising on the narrower topics in microfinance regulation and more on advising on adaptations that are needed within the policy environment to become more supportive of responsible providers offering the full range of financial services that are typically demanded by the poor. This development implies an expanded menu of support and partnering, to include, for example, telecom regulators with respect to branchless banking, and social affairs ministries with respect to government-to-person (G2P) schemes. It also includes working with the G20 and standard-setting bodies, such as the Basel Committee on Banking Supervision, on how to integrate policies that support financial inclusion of the poor into their work. By focusing on more regional and international levels, CGAP hopes to have a larger impact with its limited resources. To take full advantage of the power of influential bodies, such as the G20 and the Basel Committee, the CGAP name and brand is intentionally mentioned sparingly, which limits the visibility, but maximizes the impact, of CGAP's contribution in this area.<sup>69</sup>

Over the past three years, CGAP's work on financial inclusion policy has led to the identification of some high-level themes that guide both its work at the global level and the messages it communicates to governments and policy makers at the country level, including:

- It is important to expand financial services to the previously unserved, as there are risks involved in financial exclusion.
- Financial inclusion carries with it changes in the nature of the risks and the risk/benefit calculation that regulators must consider (due both to the characteristics of the "newly included" customers and to the innovative approaches needed to reach them sustainably).
- It should not be assumed that one set of policies or regulatory and supervisory approaches will work for all countries and cultures. Adaptations must be made in light of the local culture and context (particularly the current state of financial exclusion and the capacity of policy makers, regulators and supervisors).

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<sup>68</sup> CGAP's "Microfinance Consensus Guidelines: Guiding Principles on Regulation and Supervision of Microfinance" released in 2003, became one of the most consulted documents on this subject matter. An updated version entitled "Guide to Regulation of Microfinance," was released in a public comment version in 2011 and explains the nexus between "microfinance" regulation and supervision and policy, regulation and supervision for financial inclusion in the broadest sense.

<sup>69</sup> For example, CGAP diagnostic and analytical work, together with membership surveys conducted by the Alliance for Financial Inclusion, formed the principal basis of the G20's Principles for Innovative Financial Inclusion, which in turn was a key component of the G20's multi-year Financial Inclusion Action Plan approved at the Seoul Summit in November 2010.

### 5.3.3 Relevance

**Finding 23: Given that policy environments remain an obstacle to financial access for the poor, CGAP-IV's Goal 2 is highly relevant.**

In developing and emerging market countries, formal financial systems have traditionally been designed to serve the needs of a small sector of the population, including typically wealthier business owners. Until microfinance institutions demonstrated the commercial potential of offering financial services to the poor profitably, many formal financial institutions in these countries considered the market for small value transactions and services to be too expensive to serve cost-effectively. With this demonstration, an increasing number of banks and other formal financial institutions are learning how to tap and serve this large and growing market. Nonetheless, research has found that policy constraints, such as interest rate caps and inappropriate government intervention in retail financial services, continue to hinder financial inclusion, especially for the rural poor and women in developing and emerging market countries.<sup>70</sup>

The recent global financial crisis shed new light on the imperfections of financial policy and regulatory environments in developed countries, adding impetus to global standard setters to reconsider their legal and regulatory frameworks in the face of the risks associated with the globalization of financial markets. They have also taken stock of the emerging importance of topics such as financial consumer protection and regulation and supervision in emerging markets and developing countries.<sup>71</sup> These changes within the global context and the increasing power of countries with large populations and important financial systems in the global context – particularly the so-called “BRICS” (Brazil, Russia, India, China and South Africa, which are new members of the Basel Committee and other standard-setting bodies, along with similar regional reference countries, such as Mexico) – are helping to raise awareness of the need for policy environments that are supportive of inclusive financial systems.<sup>72</sup>

Goal 2 is not only relevant given the globally recognized need to make financial systems more inclusive of the poor, but an increasing number of policy making bodies have been turning to CGAP for policy advice, which builds upon CGAP's understanding of microfinance, as well as its membership, which includes many G20 countries, and its unique relationship with the World Bank, which is heavily involved with country-level policy discussions.

At the national level, there is also evidence of significantly increased interest and demand for assistance in policy reform to facilitate financial inclusion. According to the Alliance for Financial Inclusion (AFI), a recent survey of 83 central banks and regulatory agencies from emerging markets and developing countries found that regulators recognize their changing role and their need to exert leadership and ownership of financial inclusion. A number of policy commitments related to financial

#### AFI Member Financial Inclusion Policy Commitments

The Bank of Tanzania agreed to raise its financial access level to 50% of its population by 2015

The Mexican Securities and Banking Commission committed to establishing banking agents in every municipality by 2014

The Central Bank of Nigeria said it would lower its unbanked rate by 50% by 2020

The Peruvian Superintendency pledged to enact a new law regulating electronic money within the next year.

Source: Dr. Alfred Hannig, AFI, Nov. 16, 2011

<sup>70</sup> IADB's *Interest Rates and Implications for Microfinance in Latin America and the Caribbean*, Mar. 2010.

<sup>71</sup> Both topics were on the G20's summit agenda in Seoul in 2011, in addition to financial inclusion.

<sup>72</sup> The G20's Global Partnership for Financial Inclusion, of which CGAP is key Implementing Partner, was brought into being at the call of the G20 Leaders at their Summit in South Korea in 2010, recognizing financial inclusion as one of nine pillars of the G20's global development agenda.



inclusion made by AFI members recently are shown in the sidebar.

Given CGAP's ability to shift in line with changing market realities and stakeholder interests, CGAP is well positioned to deliver on its goal of creating a supportive policy environment, which is of growing relevance and importance to increasing financial access for the underserved poor.

**Finding 24: CGAP-IV's Goal 2, and its emphasis on balancing financial inclusion with financial stability and protection of poor clients, is increasingly relevant to the global context and CGAP stakeholders.**

CGAP-IV's goals were conceived prior to the onset of the global financial crisis, which resulted in increased concerns related to financial stability and risk management for policy makers, financial institutions and their clients, especially savers. As noted in Section 3.3, the Microfinance Banana Skins 2011 report (Centre for the Study of Financial Inclusion), which summarized responses from 533 survey participants from 86 different countries, found credit risk to be the greatest risk facing microfinance today, followed by reputation risks.

The combination of the global financial crisis and the rapid growth of the microfinance industry in some iconic markets helped to create a 'perfect storm' of over-indebted clients becoming unable to make timely repayments on their loans. Some microfinance providers in these markets responded by exerting undue pressure and using inappropriate practices to enforce repayment obligations.<sup>73</sup> As a result, concerns for responsible finance and client protection are even more relevant today than when CGAP-IV goals were conceived.<sup>74</sup>

Finally, the majority (76 per cent) of surveyed CGAP members indicated that CGAP's work in policy and regulation is either 'most relevant' or 'relevant' to their organizations; this compares favourably with their views on the relevance of CGAP's work on market infrastructure (53 per cent said this was 'most relevant' or 'relevant') and on aid effectiveness (55 per cent).

### 5.3.4 Effects and Impacts

This section examines CGAP's effects and impacts associated with Goal 2 policy and government work in terms of the indicators shown in the sidebar.

The CGAP Results Framework for the period outlined three outcomes and related indicators associated with Goal 2 as well as three categories of outputs. CGAP has already exceeded its targets for Phase IV, which suggests that CGAP could set more aggressive targets in the future.

#### Basis for assessing CGAP effects and impacts for Goal 2

Evidence that government and policy makers have changed their policies or practices to create more supportive policy environments, balance increased access, financial stability, and the protection of poor clients since July 1 2008

Number of surveyed/interviewed government and policy makers who credit CGAP with influencing these changes

Evidence that CGAP has influenced the G20, the Basel Committee on Banking Supervision, and other global standard-setting bodies to integrate financial inclusion in their work

<sup>73</sup> See, e.g., Ramesh S. Arunachalam, "The Journey of Indian Microfinance," 2011, Chennai, India.

<sup>74</sup> Microfinance Banana Skins, 2011, p. 5 noted concerns related to growing commercialization, a decline in standards and drift away from social mission as some of the greatest risks facing microfinance today, although manifestation of these problems is market specific.

**Finding 25: CGAP is highly valued for its contributions to global level policy setting discussions on financial inclusion.**

In collaboration with CGAP, AFI and the International Finance Corporation (IFC), the G20 launched a Global Partnership for Financial Inclusion (GPFI) to provide systematic coordination and implementation structure for its multi-year Financial Inclusion Action Plan. The Action Plan provides a set of six action areas to advance financial access for individuals, households and micro, small and medium enterprises (MSMEs).<sup>75</sup> In particular, CGAP was asked to lead the GPFI work stream aimed at encouraging the global standard-setting bodies to integrate financial inclusion into their work, in line with their institutional mandates. CGAP was also asked to lead work under the Action Plan to improve the treatment of financial inclusion in financial sectors assessments carried out at the country level. This builds off earlier work CGAP had undertaken on a one-off basis with individual standard setters. For example CGAP co-chaired the research and drafting group, together with the Central Bank of Argentina, for the Basel Committee on Banking and Supervision's "Microfinance Activities and Core Principles for Effective Banking Supervision," which was the influential standard-setting body's first publication on a financial inclusion topic. In addition, the International Conference of Banking Supervisors held in 2010 included several specific sessions related to financial inclusion, which further reflects the global relevance of CGAP's work in this area.

**Finding 26: CGAP has played a significant role in the development of policy frameworks for branchless banking in numerous countries.**

Over the period reviewed, CGAP played a positive role in policy discussions and decisions related to branchless banking in numerous countries.

In June 2011, for example, Pakistan overhauled its regulatory framework to remove barriers to branchless banking in an effort to create a more financially inclusive policy environment. These changes were made just three years after Pakistan had put in place new regulations for branchless banking (March 2008) following early CGAP diagnostic work there. Policy makers made these changes as a result of information gleaned from market trends and input from advisors such as CGAP, in an effort to reduce barriers to branchless banking. One of the most important changes in support of financial inclusion was the authorization of the "Level 0" account, which requires the lowest transaction limits to open an account electronically (with no paperwork required). As a result, the State Bank of Pakistan expects to move Pakistan from being one of the least banked countries to one that serves at least 5 million branchless bank users, while still protecting against money laundering and improving convenience and quality of services to low income clients.<sup>76</sup> Pakistan is just one of almost a dozen countries in which CGAP has influenced the regulatory framework for branchless banking (Colombia, Ecuador, India, Kenya, Maldives, Mali, Mexico, Mongolia, Pakistan, Philippines, South Africa).

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<sup>75</sup> The G20 Principles on Innovative Financial Inclusion, developed based upon CGAP diagnostic and analytical work – in particular CGAP's Focus Note #43 on Regulating Branchless Banking – and a survey of AFI members (many of them CGAP partners during the evaluation period), play a critical role in the Action Plan, and CGAP's "Self-Assessment Guide on Regulation of Branchless Banking" is also listed as one of the important tools to promote financial inclusion and understanding.

<sup>76</sup> <http://technology.cgap.org/2011/07/25/state-bank-of-pakistan-removes-barriers-to-branchless-banking/>

**Finding 27: Throughout Phase IV, CGAP has continued to play a role in supporting positive regulatory and supervisory frameworks and capacity building.**

Throughout Phase IV, CGAP has continued to play a direct role in supporting positive regulatory and supervisory frameworks at the country and regional level, even while moving away from generic policy advisory work and tightening its focus (as described above). In West Africa, for example, CGAP has been working on a particularly intensive, multi-year project with the regional regulator, BCEAO (Central Bank of the West African

**BCEAO project objectives**

Improve the regulatory framework – roll out MFI-specific accounting framework; finalize legislation on cooperatives and amend the PARMEC law

Strengthen supervision of MFIs – assist BCEAO to consolidate responsibilities for supervision, and conduct more and improved inspection missions, as well as establish national Microfinance Committees to review licensing, supervision and sanctions

Improve information on the sector – assist BCEAO to publish annual monographs on each of 8 countries in the region, as well as monthly updates of its activities

States) and a consortium of donors as described in the sidebar. According to an independent evaluation, the project was successful in creating a stronger regulatory framework, creating an accounting framework and improving supervision of microfinance. With its regional focus, the project had limited impacts at the country level and in disseminating consistent information on the sector. These limitations were attributed to limited local human resources and capacities, funding issues, and slow legal processes.

CGAP also continues to play an important role in building capacity related to financially inclusive regulation and supervision. CGAP staff share best practice information and experiences with high level participants, such as through the Boulder Institute of Microfinance<sup>77</sup> and “purpose built” training and awareness building seminars for policy makers, such as the Windsor Global Leadership Seminars on Regulation of Branchless Banking, which were carried out annually in 2008 – 2010 in cooperation with the UK Department for International Development, the Bill & Melinda Gates Foundation and AFI.<sup>78</sup> During interviews, several stakeholders expressed the view that much of the work related to regulation has been completed in many countries and now CGAP is focusing more on supervisory issues in financial inclusion. For example, CGAP has developed a Microfinance Supervisor Training Program in partnership with the Toronto Centre, which was piloted under the sponsorship of the Central Bank of Kenya in November 2011 and received highly positive participant feedback.

**Finding 28: Stakeholders acknowledge the role CGAP has played in promoting responsible finance, especially consumer protection.**

More than 20 stakeholders mentioned CGAP’s contributions to promoting responsible finance and highlighting the importance of protecting low-income consumers. This includes work on development of industry standards and codes of conduct and on improvements in consumer awareness and financial capability, as well as the consumer protection policy-related activities discussed in the paragraphs that follow. As one stakeholder explained, “CGAP has helped to raise the profile of social performance management and to keep the debate alive.”

CGAP supported the launch of the Smart Campaign in 2009 to introduce client protection principles, which have since been endorsed by 2,300 individuals from 130 countries, including over 800 from

<sup>77</sup> See [http://www.bouldermicrofinance.org/\\_inst/index.php?page=EN](http://www.bouldermicrofinance.org/_inst/index.php?page=EN)

<sup>78</sup> See <http://www.afi-global.org/news-and-events/news/agent-regulation-tops-bill-windsor-global-leadership-seminar>

microfinance institutions.<sup>79</sup> Nonetheless, some stakeholders noted that there are now several institutions working on consumer protection, such as ACCION's Centre for Financial Inclusion, and suggested that CGAP should consider going further with its work related to other aspects of social performance management. This view, however, contrasts with the opinions of other stakeholders who feel that CGAP should do more in consumer protection rather than less, as discussed below.

The "Financial Access 2010" publication acknowledges that while consumer protection legislation is largely in place, implementation and enforcement are often lacking in developing countries.<sup>80</sup> CGAP's suite of policy tools and guidance in this area addresses the most common policy objectives: transparency (achieved mainly through disclosure rules), fair treatment (including responsible lending), and effective recourse. In the specific arena of disclosure, policy makers expressed appreciation for CGAP's engagement. In the Philippines, for example, CGAP was credited with playing an important role in helping to issue new and simpler regulations on price transparency, which mandated that all banks compute and disclose interest in the same manner. CGAP helped by carrying out focus groups with microfinance clients and was able to narrow down concerns to a few specific issues that are now reflected in the regulations.

The over-indebtedness crises in a number of over-heated microcredit markets have prompted CGAP to undertake new work on relevant topics such as credit regulation and supervision to prevent over-indebtedness, credit reporting at the base of the pyramid, and governance challenges in microfinance. Some of those interviewed would like to see CGAP more involved in specific markets. For example, there were some concerns that CGAP could have played a stronger role in guiding policy issues related to over-indebtedness in Andhra Pradesh, India.

### **5.3.5 Conclusion**

In summary, CGAP has made positive contributions to support policy environments that promote increased financial inclusion, financial stability and protection of low-income clients. Building on its years of country-level work, CGAP is now especially well positioned to raise awareness of the issues among high level stakeholders, such as the influential financial sector standard-setting bodies and share knowledge in a way that advances this global agenda. In the future, work will be needed to bring the global level and country-level work together to insure that these high level policy initiatives translate into country-level changes that benefit the poor and facilitate their access to finance.

## **5.4 Goal 3: More Effective Funding for Access to Finance**

### **5.4.1 Introduction**

CGAP-IV Goal 3 is to improve the effectiveness of funding for access to finance.

For CGAP, this goal is about making funding for microfinance more effective. It is based on the underlying assumption that public funding is limited and should be used to leverage private investment (foreign and local) in order to increase outreach to yet underserved market segments. This goal includes two outcomes.

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<sup>79</sup> Center for Financial Inclusion (Nov. 2011). "Implementing Client Protection for Microfinance: State of Practice 2011," pg.v.

<sup>80</sup> CGAP and World Bank Group. "Financial Access 2010: The State of Financial Inclusion Through the Crisis," p. 2.

- The first outcome is related to standardized social and financial performance information on major funders. Activities carried out in support of the outcome by the Donors and Investors team includes intelligence on funding flows (funder survey and MIV survey) and active engagement with the donor and investor constituencies of the social performance taskforce as well as research, for example, on institutions that manage Apex funds.
- The second outcome relates to funders' internal capacity and includes activities like the evaluation tool, SmartAid, and advisory assistance to donors and investors to encourage them, for example, to adopt and implement appropriate standards and to focus more on accountability.

Work on both outcomes is targeted to donors and public investors – the priority audience for the work of the Donors and Investors team. Work with private investors focused on transparency and responsible finance.

Goal 3 focuses on the funding environment and complements Goals 1 and 2 in the sense that it assists with the funding of the financial service providers who empower and enable poor people to make small value transactions.

### 5.4.2 Programs and Activities Related to Goal 3

The primary ways in which CGAP operationalized this goal in the past three years was through the Donors and Investors (D&I) Program which included the activities shown in the sidebar.

The program is organized around two pillars: 1) improving the transparency on funding, and 2) improving the quality of funding.

#### CGAP Strategies and Key Messages

CGAP's D&I work over the period focused on three thematic areas:

- Diverse funding sources are complementary so that all market segments are reached (restated in September 2010 as “funding sources are complementary/responsible”)
- Funders' programs contribute to the development of local funding markets (restated in September 2010 as “local funding markets are supported by foreign donors”). This theme was subsequently dropped by CGAP in October 2010.
- There is increased transparency and performance of programs/investments (restated in September 2010 as “public and other socially responsible funders push the frontier”).

The restatements of the three themes have not been officially adopted and the June 2011 Monitoring Report still uses the three original statements. Nonetheless, the re-statements indicate a subtle change of emphasis within the D&I team.

#### CGAP Programs and Activities Related to Goal 3

##### Donors and Investors Program:

- Surveys of funders and investors
- The SmartAid for Microfinance Index including a technical guide and reports with findings on participating agencies
- Advisory engagements with funder members
- Client protection principles and other publications on Responsible Finance
- Membership of the Social Performance Task Force (SPTF) Steering Committee and contributions to its governance
- Guidelines on topics such as MIV Disclosure and Good Practice for Funders
- Other training and learning events
- Knowledge sharing and communications in areas such as the surveys, equity valuation, savings and Apex funds.

In addition, the issues of “deposit mobilization and responsible finance” were identified in October 2009 as “two timely issues in microfinance” that warranted additional focus.

Some of the messages that CGAP has sought to communicate to donors (the main constituency, given their role as members of CGAP) include:

- Funding agencies that support financial inclusion should have a clear strategy and staff with relevant expertise, be transparent and accountable, share knowledge, and use appropriate funding instruments to support financial inclusion.
- As the financial inclusion landscape evolves, funding agencies need to continuously reconsider the ongoing relevance of their roles and strategies in market development, such as best practices associated with the use of subsidies: ways to facilitate involvement by private sector providers and civil society through demonstration effects, and/or to provide infrastructure and public goods when they are better placed than others to do so.

To date, the most comprehensive collection of messages to CGAP members are found in the *Good Practice Guidelines for Funders of Microfinance*, adopted through a consultative process with all members.

### 5.4.3 Relevance

**Finding 29: CGAP-IV’s Goal 3, related to developing an effective funding environment, is highly relevant to the microfinance sector.**

As noted in section 2, the amounts committed to microfinance by public donor investors as at the end of 2009 was \$14.6 billion and \$6.7 billion committed by private investors. Based on a CGAP report released on 21 December 2011, by the end of 2010 the total committed funding was \$24 billion, of which 30 per cent was private.<sup>81</sup> At the same time, whilst the outreach of MFIs has increased over the last three years, there are still estimated to be 2.5 billion working age adults without access to financial services.

Therefore, as there is still a large financial inclusion agenda it is relevant for CGAP to focus on “donors and investors” as a stakeholder group that can help advance the delivery of financial services to the poor. In terms of the contributors, investor funding has been growing at three times the rate of the donor funding. Consequently, there is still an important role for CGAP and others to play in helping define the role of public funding in leveraging commercial capital in a way that is most effective.

The range of donors and supporters for microfinance has expanded greatly in recent years. From the initial array of donors (such as bilateral and multilateral agencies, DFIs and non-governmental agencies), now we see a broader spectrum of investors (from the very social to the highly commercial) as well as individuals, private foundations and corporations. To this can be added local sources, such as banks, Apex funds, commercial banks, and private investors, as well as funds raised by the MFIs themselves through deposits.

Therefore, the work on improving transparency is becoming even more relevant. The D&I two-year Investment Committee proposal for Improving the Effectiveness of Microfinance Funding, Phase II for the period to October 2011 (recently extended into 2012) also pointed to “debates about what kind of funders can most effectively help scale-up and deepen poor people’s access to finance.” This issue of quality of funding has become even more relevant in recent years.

The recent increase in the focus on issues such as financial inclusion and responsible finance (see section 2) means that not only are the MFIs and the regulators under the microscope but also the funders, as they can bring to bear influence through their shareholdings, loans, board representation, TA and other support. In addition, the multiplicity of donors and investors creates a need to ensure funding is

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<sup>81</sup> CGAP Brief, “Trends in Cross-Border Funding”, December 2011

complementary, with such coordination increasingly recognized as necessary for more effective development assistance overall, for example to ensure that one source is not crowded out by another.

To ensure such an effective funding environment, CGAP's work is relevant, particularly in areas such as supporting funding transparency, setting standards, and demanding accountability from donors and investors.

**Finding 30: CGAP's de facto role as the industry association for donors and public investors is relevant in the narrower microfinance market. Moving forward, it will have to determine its relevance to the varying types and expectations of donors and investors involved in the broader landscape of financial inclusion.**

There is no doubt that CGAP has a crucial role to play as the industry's 'soft' standard setter, encouraging donors and investors to abide by these standards of disclosure and performance, as well as to be more transparent in their activities. Many stakeholders consider that no other institution can act as CGAP does: in effect like an industry association for funders.

However, as the pool of financial inclusion funders increases, a key issue for CGAP is whether it can or should be relevant to all donors and investors (from the commercial to the social, from the large to the small.) Whilst the size of this stakeholder base is partly a tribute to the success of CGAP to date, the question is whether CGAP should make the effort to remain relevant to all or prioritize a focus on a subset of funders.

To date, CGAP has built its work with donors and investors on a clear influence model. Given its membership structure, CGAP has more direct influence on its members than on other funders, and has focused most of its work on this constituency. This influence model is built on the premise that CGAP members, through their funding and activities, can advance the industry as a whole. As the funding landscape becomes increasingly complex, CGAP's role in improving the effectiveness of funding will require evolution of its influence model. While CGAP will need to continue to work with its members to better understand their role in the broader financial inclusion space, it may also need to analyze its influence model and targeted engagement that takes into account its comparative advantage and other actors in the market.

The challenge confronting CGAP is that the D&I base is growing in breadth and depth. Whilst this is essential for the market as a whole, CGAP's work with this community must be aligned with its influence model. CGAP cannot be 'all things to all people' and its current influence model reflects this realization. Nonetheless, many stakeholders look to CGAP for continued engagement. CGAP must always choose its work program on where it can add the most value, taking into consideration its comparative advantage and other actors in the market. There is also the parallel issue of whether CGAP as a whole should focus mainly on the needs and demands of its member donors, or whether it should work across the entire market. While the rest of CGAP addresses broader industry issues, the D&I team is more narrowly focused on the needs of CGAP members.

#### 5.4.4 Effects and Impacts

This section examines CGAP's effects and impacts associated with Goal 3 for donors and investors (including funds). In keeping with the approved workplan for this evaluation, it also examines the effects and impacts on enablers (e.g., NGOs, MFI networks, associations, technical assistance providers, training providers, consultants, etc.) in keeping with CGAP's influence model. The targets include those in the CGAP Results Framework for the period. CGAP is measuring some indicators that go beyond outputs, to show outcomes.

The activities of the D&I Program are governed by the D&I Investment Committee proposal (see section 5.5.3) and the annual CGAP Workplan Matrix. Various targets (outcomes, outputs and related indicators) are set for the activities associated with Goal 3 and are analyzed every six months.

**Finding 31: CGAP has met or exceeded most of its targets related to impact on its members/funders.**

CGAP measures indicators that seek to demonstrate its impact on its members/funders – as shown in the sidebar.

**a) Reporting Portfolio Information**

On this indicator, 100 per cent of CGAP members reported portfolio information; the target was 100 per cent.

The source for this indicator is the annual CGAP Funder Survey conducted between April and June each year. The target for this indicator was that all CGAP members report to each Funder Survey and this had been achieved as per the June 2011 Monitoring Report.

**Basis for assessing CGAP effects and impacts for Goal 3**

*CGAP Members/Funders*

- a) % of CGAP members reporting portfolio information
- b) SmartAid participants' portfolio as % of CG members' total portfolio
- c) # of SmartAid participants taking action to implement recommendations
- d) % of CGAP members referring to CGAP good practices
- e) Evidence that CGAP members have changed policies or practices so that the effectiveness of funding for access to finance is improved in terms of complementarities and diversity of funding sources, support of local funding markets and transparency and performance of investments since 1 July 2008.
- f) # of surveyed/interviewed CGAP members who credit CGAP with influencing these changes.

Until 2010 the CGAP Funder Survey was based on data from over 60 cross-border funders annually, including all CGAP members. As part of CGAP's plan to minimize its role in collecting this data over time, CGAP introduced a smaller sample for the survey every other year. In the 2011 Funder Survey, only 20 funders (17 being CGAP members) were sampled, all of whom reported. This methodology was designed after considerable analysis to ensure that the smaller sample sufficiently "proxied" the larger population. Nonetheless, based on demand for the full survey and because funder priorities do change over time, CGAP recognized the need to conduct the full survey with all funders every other year, so that it could capture major strategy changes along the way, and this will be done in 2012.

**b) SmartAid participation**

On this indicator, SmartAid participants' portfolios represented 58 per cent of the total CG members' portfolio; the target was two-thirds.

The source for this indicator is the annual CGAP Funder Survey. This ratio considers the total portfolio of SmartAid participants divided by all CGAP members' total portfolio. The calculation of 58 per cent is based on December 2009 portfolio numbers. According to the D&I plan, the target for FY11 is 65 per cent.

**c) SmartAid participants take action to implement recommendations**

On this indicator, 64 per cent of 2009 participants took action to implement at least one CGAP recommendation; the target was 50 per cent.

In the June 2011 Monitoring Report, CGAP looked at funders had who participated in the 2009 round of SmartAid (as the 2011 results were published after June). To qualify as having taken action, CGAP considers whether the funder has implemented or acted on at least one of the recommendations made in that report, with the relevant information obtained through follow-up work or other exchanges with members. For 2009, 7 out of 11 participants met this criterion.

Although the 2009 results seem impressive, SmartAid reports make more than one recommendation. In some cases, participants took action on only a small number of the recommendations within the time period covered. To monitor changes over a longer period of time, CGAP is considering the use of a self-



reporting system (on a pilot basis) in which donors would provide an update on where they have made changes.

**d) Members refer to CGAP good practices in policy/strategy documents**

On this indicator, 72 per cent of CGAP members referred to CGAP good practices in their policies and strategy documents; the target was 75 per cent.

The source of information for this indicator is a scan of CGAP members' policy and strategy documents, via their websites or actual documents. The indicator is regarded by CGAP as a proxy for whether members are aware of, and buy into, CGAP good practices. However, it is conceded that strategy documents do not change very frequently and that this indicator may not be very useful to measure change in a short time frame. Nonetheless, the results are encouraging because the slight shortfall may hide a better reality, as it is more likely that members have not yet adapted their strategy documents to include CGAP principles, rather than not yet removed them.

**e) Evidence that CGAP members have changed policies or practices so that the effectiveness of funding for access to finance is improved; and f) Number of surveyed/interviewed CGAP members who credit CGAP with influencing these changes**

There is no specific threshold for these two indicators in the reporting matrices. However, indicators (c) and (d) do provide some evidence, especially for (e).

Some positive comments on CGAP contributions are shown in the sidebar. On the other hand, several consulted donors and investors suggested that CGAP does not lead the way on key issues and that others champion the increased focus on financial inclusion.

Interestingly, among CGAP members surveyed, CGAP's work on

Goal 3 was rated less positively than other goals (48 per cent reported that CGAP was least effective in realizing this goal). This is somewhat surprising, as CGAP members are the main beneficiary of CGAP services related to Goal 3, and raises some questions for further research and reflection by CGAP as it plans beyond 2013. However, since not all services are made available to all CGAP members, this finding may reflect the survey itself and likely warrants further analysis of the responses – with a view to linking responses on specific work areas with the funders who received or benefited from these specific services. It may be important for CGAP to monitor members' views on specific services over time, rather than trying to capture general feedback in this way.

**Member comments on CGAP contributions (paraphrased)**

*Smartaid was always so important for us in order to assess how and where we operate.*

*We added client protection principles to our funding agreements.*

*We changed how we operate after CGAP training and the MIV Surveys.*

*Based on CGAP research, we changed our funding focus to Tier 2 and Tier 3 MFIs and to Governments in West Africa.*

*The organisation moved away from subsidies to more finance based funding.*

*We began to cooperate more with the banks.*

**Finding 32: CGAP is having an important influence, beyond its members, in relation to the transparency of funding.**

While previous findings discussed the direct effects and impacts of the Donors and Investors Team, there is evidence that CGAP has had impressive effects and impacts beyond its members, in keeping with its influence model.

CGAP's ultimate effects on non-members are part of its influence model. Although these are harder to assess as the relationships are less direct, changes in investors/funds practices can be judged through certain indicators, particularly the two indicators CGAP uses in its Monitoring Reports, namely (a) on making social and financial performance data available, and (b) reporting based on MIV Disclosure Guidelines. We have also considered

how investors and other organizations (e.g., enablers) have changed practices and attribute the change to CGAP. The indicators used to measure CGAP effects on non-members are shown in the sidebar.

**Basis for assessing CGAP effects and impacts for Goal 3<sup>82</sup>**

*Investors*

- a) # of MIVs making social and financial performance information available
- b) # of MIVs whose reporting is based on the CGAP Disclosure Guidelines
- c) Increase in number of financially inclusive investors reporting to the MIX (2008-2010)
- d) Evidence that microfinance investors have changed their practices based on CGAP advice since 1 July 2008

*Enablers (e.g., NGOs, MFI networks, associations, technical assistance providers, training providers, consultants etc.)<sup>83</sup>*

- e) Evidence that support institutions have changed policies or practices to support greater financial inclusion
- f) # of surveyed/interviewed support institutions who credit CGAP with influencing these changes since 1 July 2008

**a) Social and performance information available**

The source for this indicator is the CGAP MIV Survey<sup>84</sup> which compares the assets under management of MIVs participating in the survey to the total market estimate of MIV assets under management.

Since the June 2011 Monitoring Report, the 2011 Symbiotics Survey has been released. It stated: "Out of the 102 MIVs identified, 70 responded to the survey. These 70 MIVs had a (sic) total assets under management of USD 5.9 billion as of 31 December 2010. They represent 87 per cent of the MIV market asset base, currently estimated at USD 6.8 billion." Although 87 per cent represents a decrease from the previous figure of 93 per cent, it is still substantially in excess of the target of 75 per cent.

<sup>82</sup> This includes a combination of CGAP indicators and others that were proposed by the Evaluation Team and approved by CGAP during the Inception Phase.

<sup>83</sup> Readers should note that as defined, Goal 3 does not include 'enablers' from CGAP's perspective. However, as agreed with CGAP during the Inception phase, this indicator was included in the evaluation framework in an effort to capture what were seen as effects on this group (albeit unintended).

<sup>84</sup> The survey was conducted by CGAP for the last time in 2010. In 2011 it was conducted by Symbiotics and will be for the foreseeable future.

### b) CGAP Disclosure Guidelines adopted by MIVs

The MIV Survey is used to keep track of how many MIVs report according to the CGAP Disclosure Guidelines. There is no formal "adoption process" but in 2011 70 MIVs participated in the survey, compared to 73 in 2010. This is an impressive number given the total universe of MIVs (estimated at between 102 and 113).

The original target was 30 MIVs "using guidelines for reporting to investors." However, the wording of the target was changed to "adoption of standards for disclosure by leading MIVs and their associations." The above numbers include most leading MIVs and MIV associations.<sup>85</sup>

"The MIV Disclosure Guidelines are indeed the culmination of a participatory process that was based upon input from all key industry actors and as such represent the consensus view of quality financial and social performance reporting. The Guidelines will advance the much needed analysis of performance of funds by peer groups and foster greater transparency, critical factors in the continued growth of investment in microfinance." Deborah Drake, Council of Microfinance Equity Funds "International Association of Microfinance Investors (IAMFI) is grateful to CGAP for its valuable work to enhance the information that microfinance investment vehicles (MIVs) disclose on their strategy, portfolio structure and performance. The revised MIV Disclosure Guidelines promote more detailed and nuance reporting which will help investors place capital more effectively in pursuit of their financial and social objectives."

Joan Trant, International Association of Microfinance Investors (IAMFI)

From MIV Guidelines (CGAP, 2010)

### c) Increase in number of financially inclusive investors reporting to the MIX (2008-2010)

The number of MIVs currently reporting to the MIX is 113. The total number of funders, including others such as DFIs and foundations was 202 on 30 June 2011. This can be compared to the same categories reporting on 1 July 2008 which equalled 102. Therefore, it can be said that the total funders of microfinance reporting to the MIX has nearly doubled over the period reviewed, at least partly as a result of CGAP's support.

### d), e) and f) Evidence that microfinance investors and enablers have changed their practices based on CGAP advice since July 1 2008

The SmartAid Index is deliberately targeted to donors and public investors only, and thus is not applicable for private investors and enablers. However, interviews conducted with investors and enablers yielded positive comments (see sidebar) and the majority indicated that CGAP had influenced changes made to their behaviour since July 2008.

#### Comments from investors and enablers

*We adopted the MIV Guidelines due to CGAP's actions.*

*CGAP played a key role getting social performance on the radar and keeping it there.*

*The MIV survey was helpful to identify other investors, where money is flowing and deals being done, thereby allowing us to focus.*

*We understood that commercialisation meant transparency was needed.*

*CGAP did good work to raise the awareness of branchless banking.*

## 5.4.5 Conclusion

In summary, improving the effectiveness of funding for access to finance is highly relevant to the microfinance market. In pursuing Goal 3, CGAP has made some positive contributions to the market and

<sup>85</sup> Both IAMFI and CMEF endorsed the Guidelines (see the last page of the Guidelines). For the list of MIVs that reported to CGAP, please see the Peer Group Benchmarking table: [http://www.cgap.org/gm/document-1.9.47372/CGAP\\_2010\\_Benchmarks\\_Tables.pdf](http://www.cgap.org/gm/document-1.9.47372/CGAP_2010_Benchmarks_Tables.pdf)

its activities are relevant. In effect, it acts like a global association for donors and public investors. Given its membership structure, it has more influence on its members, which are intended by CGAP to influence other intermediaries which they support, such as MIVs.

Moving forward, CGAP should explore ways it can use this influence to advance the broader financial inclusion space.



## 5.5 Performance Summary

Exhibit 5.1 summarizes CGAP’s performance related to its three goals. It includes a summary of key conclusions based on the outcomes defined in the CGAP IV Results Framework and rankings for areas reviewed (i.e., relevance and effects and impact).

**Exhibit 5.1 Performance Snapshot**

Goal and Review Area	Ranking <sup>86</sup>	Summary of Conclusions
Goal 1 – Relevance	High	Goal 1 is extremely relevant as the majority of the world’s poor remain excluded from formal financial systems. Goal 1 remains relevant to CGAP’s members and stakeholders.
Goal 1 – Effects and Impact	Medium - High	Significant increase in poor clients having access to financial services CGAP has developed a number of viable models for financial services for the poor, six of which are ready to be adopted by mainstream financial institutions. However, it is premature to assess effects of the applications/roll out of these models. There is limited cost-benefit analysis available to demonstrate efficiency of new business models. Several examples of leveraged impact (e.g.,Eko, India and Tameer Bank, Pakistan)
Goal 2 – Relevance	High	Since policy environments continue to be a barrier to financial access for the poor, CGAP IV’s Goal 2 is highly relevant. Goal 2’s emphasis on financial stability and protection of poor clients is increasingly relevant to the global context and CGAP stakeholders.
Goal 2 – Effects and Impact	High	CGAP has made highly valued contributions to global level policy setting discourse on financial inclusion including a guide for the G20, and a consultative paper for the Basel Committee. CGAP has played a significant role in the development of policy frameworks for branchless banking and increased transparency in several countries such as Pakistan, India, and the Philippines. CGAP continues to support positive regulatory and supervisory frameworks such as with regional regulator BCEAO, and capacity building through the Bolder Institute, and Windsor Global Leadership Seminar. Stakeholders acknowledge the role CGAP has played in promoting responsible finance, especially consumer protection through initiatives such as the Smart campaign and publications like “Financial Access 2010.”
Goal 3 – Relevance	Medium-high	Goal 3 is relevant to CGAP’s role in improving the effectiveness of funding for access to finance. CGAP operates as the industry’s ‘soft’ standard setter. No one else can act as CGAP does: like an industry association for donors and public investors.

<sup>86</sup> The Evaluation Team’s rankings should be interpreted as follows: **High:** meets or exceeds stakeholders’ expectations; **Medium:** meets 50 per cent of stakeholders’ expectations; **Low:** meets fewer than half of stakeholders’ expectations.

Goal and Review Area	Ranking <sup>86</sup>	Summary of Conclusions
		<p>CGAP has made a conscious effort to reflect global challenges, by moving from an emphasis on commercial aspects (i.e., supply side) to include a client focus (i.e., demand driven concerns).</p> <p>CGAP provides a relevant service with research and reports.</p> <p>As the funding landscape becomes more complex, CGAP needs to articulate a clear influence model and focus its effort accordingly.</p>
Goal 3 – Effects and Impact	Medium	<p>CGAP is measuring some outcome indicators (e.g., its impact on funders/members adopting key messages, by portfolio reporting, participating in SmartAid, and referring to CGAP good practices in documentation).</p> <p>CGAP's influence on non-members is focused on transparency. Other influence on this segment is harder to attribute (e.g., MIVs changing practices, making social and financial performance data available, and reporting based on MIV Disclosure Guidelines).</p> <p>On the remaining two D&amp;I sub-goals, the effect of CGAP is indirect (e.g., its activities can improve funder transparency). CGAP also does some work with private investors, such as responsible finance, but otherwise it relies on members to have their own influence on non-members, such as other intermediaries which they support, e.g., MIVs.</p>

## **6. Conclusions and Recommendations**

### **6.1 Conclusions**

#### **Context**

Over the period, there was a significant increase in the number of poor clients who have access to financial services; however, access varies widely by geographic region and by sectors of the economy. It is estimated that at least half of the world's population is unbanked.<sup>87</sup> Changes in the global, regional and local contexts over the past three years have affected the landscape for organizations such as CGAP that work to support financial inclusion. These include: the commercialization of new technologies; the expansion of products offered to the poor; the entry of new types of financial service providers; the increased involvement of new types of investors; the opening up of new regions for microfinance; the emergence of new donors (including China, India and Brazil); a global financial crisis; microfinance crises in India and elsewhere; and the recognition of the limitations of supply-led approaches. Underpinning all of this has been a broadening of the focus of the market, away from a supply-side emphasis and towards providing clients with the range of products and services they need. All of these changes pose challenges and opportunities for organizations like CGAP to demonstrate their relevance in the financial inclusion arena over time.

#### **Performance of CGAP the Entity**

##### **Relevance**

CGAP's mission to advance financial access for the poor is highly relevant given the poor's limited access to formal financial services. CGAP is highly valued across all interviewed and surveyed stakeholder groups, demonstrating its relevance to their needs. Moreover, its demonstrated ability to evolve over time in anticipation of and/or in response to the changing financial inclusion landscape is a positive indication of its ongoing relevance.

Since its establishment in 1995, CGAP has established a valuable and recognized brand in the field of financial inclusion, as widely acknowledged by a range of stakeholders. In the period of this evaluation, the CGAP team has effectively managed and evolved the brand in a rapidly-changing environment. Innovation and building credibility have been key brand drivers that have helped management position the organization effectively in a period of significant change.

##### **Results and sustainability**

CGAP has been very effective in realizing its overall objective to create and share practically relevant knowledge to advance access to financial services for the poor, and is effectively using new communication tools to share knowledge. The evolving financial inclusion arena has heightened the need for CGAP to continue to position itself effectively, focus on a global learning agenda, and effectively communicate its added value to others. Unlike other GRPPs, CGAP pays considerable attention to the sustainability of its contributions over time, and there is considerable evidence that CGAP contributions to the financial services market are being and will be sustained over time. While CGAP clearly considers the sustainability of the results of its programming initiatives, its guidelines vis-à-vis sustainability are informally rather than formally defined.

##### **Management and Governance**

Despite its very complex programming context, CGAP has taken impressive steps to emphasize results in the Phase IV program design. Key limitations include the absence of an overall rationale and program

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<sup>87</sup> [http://mmublog.org/wp-content/files\\_mf/110109halfunbanked\\_0\\_4.pdf](http://mmublog.org/wp-content/files_mf/110109halfunbanked_0_4.pdf)

logic that clearly explains how CGAP outcomes are intended to contribute to its goals, overall objective and mission, and some shortcomings in its Results Framework that hinder its utility in assessing CGAP's performance. CGAP strives to influence change in the financial services market and is currently taking steps to guide and measure how it influences change. This should help inform its future program design and measurement strategies.

Consulted CGAP stakeholders are very positive about how CGAP's Operational Team is implementing and managing CGAP IV. Their main concerns relate to some gaps in its expertise given the variety of technical areas it works in as well as the limited numbers of CGAP regional representatives.

In Phase IV, CGAP increased its emphasis on and made more effective use of partnerships. It also established effective systems to monitor and evaluate progress at the project level and to monitor program outputs and outcomes; however, it lacks a system to assess its performance vis-à-vis its overall objective and across program goals. While CGAP members are generally satisfied with its reporting practices, the time that staff spend producing some reports is not commensurate with their perceived value to surveyed CGAP members.

Surveyed CGAP members are generally satisfied with CGAP's governance, structure and processes, but the evaluation noted that CGAP members' commitments as defined in the Charter are out of sync with its emphasis on financial inclusion (e.g., references to microfinance) and there are mixed views on the need for changes in CGAP's membership base. While stakeholders have a range of views on the CGAP-World Bank administrative relationship, this association continues to generate a number of significant strategic, reputational and operational benefits for CGAP. CGAP stakeholders are concerned about potential changes in the funding landscape that may have implications for future CGAP programming.

## **Performance- CGAP Phase IV**

CGAP's three Phase IV goals are all highly relevant given the global context. More specifically, the relevance stems from the continued exclusion of the world's poor from formal financial markets, policy environments that remain an obstacle to financial access for the poor, and the importance of developing an effective funding environment. CGAP goals are also deemed relevant by consulted CGAP members, particularly Goal 2 related to the policy environment.

CGAP met or exceeded planned outcomes for the period in all areas. CGAP is credited with influencing valued changes in the behaviours and practices of financial service providers, policy makers, and CGAP member donors active in the financial services market. Interviews indicate that many financial service providers have changed policies and practices in line with CGAP's advice, and CGAP has leveraged impacts related to financial inclusion in developing countries: CGAP has played an important role in demonstrating the potential for new technologies and approaches to serve the poor and help them "graduate" out of extreme poverty.

Interviewed policy makers and other stakeholders also credit CGAP for several important contributions to global level policy-setting discussions on financial inclusion by standard setting bodies such as the G20, and to developing country frameworks, particularly in relation to branchless banking and increased transparency. Throughout Phase IV, CGAP has continued to play a role in supporting positive regulatory and supervisory frameworks and capacity building, and stakeholders acknowledge the role CGAP has played in promoting responsible finance, especially consumer protection. CGAP has met or exceeded most of its targets related to impact on its members/funders, and is having an important influence, beyond its members, in relation to the transparency of funding.

## 6.2 Recommendations

**Recommendation 1:** For the remaining period of Phase IV, CGAP should continue to implement Phase IV as designed.

The evaluation did not find any urgent needs for change in the remaining period of Phase IV as it is more than 60 per cent complete and plans are in place and unfolding. The following recommendations are therefore aimed primarily at CGAP planning and design beyond 2013.

**Recommendation 2:** In the changing global environment and expanding context of financial inclusion, CGAP should continue to position itself effectively, focussing on a global learning agenda, and communicate its added value to all stakeholders.

In the broad and expanding arena of financial inclusion, it is not possible for CGAP to be all things to all stakeholders at all levels. It is becoming increasingly important for CGAP to position itself effectively, being clear about its leadership and influence model so that it can provide leadership and at the same time identify areas in which it makes more sense to collaborate with others (see recommendation 3). Continued commitment to strategic partnerships will help CGAP remain focused where it can most add value.

CGAP has made clear that it pursues a global learning agenda, and that its national level policy work and local level work in supporting product or business model innovation are a means to achieve its global learning objectives rather than an end in themselves. This sensible strategy is in line with CGAP's resources and with its overall objective (which all stakeholders see as its comparative advantage). However, this is not uniformly understood among its different stakeholders. CGAP needs to position itself effectively, and clarify and communicate its added value and strategy to others.

As CGAP discusses and clarifies its added value and roles, it should consider:

- **The ongoing relevance of its vision, mission and overall objective in the context of financial inclusion.** Given the evolving context and external and internal CGAP stakeholders' concerns about CGAP's vision, mission, and focus, CGAP should review and revise these important statements as part of its planning for the period beyond 2013 so that they are clear, precise and relevant.
- **Standardizing and clarifying the relative hierarchy among its vision, mission, objective and goals.** Given noted inconsistencies flagged in the report, CGAP should also consider standardizing how it uses and defines these terms to support greater clarity among its external stakeholders and consistency within CGAP. In this vein, it might also want to clarify the relative hierarchy of these terms (e.g., how CGAP goals are intended to contribute to the overall objective and how the objective informs the goals), and determine how these various statements will guide CGAP programming in the future.

**Recommendation 3:** CGAP should continue to foster collaboration and partnerships to enrich, leverage and complement its roles in financial inclusion.

The evaluation noted improvements in CGAP's collaboration and partnerships over the past 2-3 years. It is also working increasingly with other parties in a variety of areas, including mobile banking, "knowledge for knowledge," the Graduation Program, and research such as the MIV survey. As CGAP cannot be all things to all stakeholders, collaboration is and will continue to be valuable in the complex, challenging and expanding context of financial inclusion and in the context of tighter resources for all development initiatives.



In so doing, CGAP may wish to draw upon some of the literature that talks to the value of broad cross-sector coordination to support social change, such as a recent article about collective impact that identifies five conditions common to successful collective impact initiatives that can lead to powerful results (see sidebar). Appendix VII illustrates the potential implications of this approach for CGAP.

#### Collective Impact

The commitment of a group of important actors from different sectors to a common agenda for solving a specific social problem

#### Five conditions of Collective Success:

Common agenda

Shared measurement systems

Mutually reinforcing activities

Continuous communications

Backbone support organizations

From: Kania, J. and Kramer, Collective Impact in the Stanford Social Innovation Review (Winter 2011)

**Recommendation 4: CGAP should develop a strategic performance measurement system that will allow it to measure and report to its stakeholders on its contributions/results at all levels – from projects to programs to its overall objective – both periodically and over time.**

CGAP has defined a vision, a mission, an overall objective, three program goals and three roles. It has established systems to measure and report on projects and on individual program outputs and outcomes, but not yet at other levels. The missing link is a strategic system that ties these together and allows CGAP to collect information and report on its contributions, both periodically and cumulatively, at those priority levels as determined by CGAP.

To bring its existing systems together in a unified, cohesive, and useful tool, CGAP should build on program design improvements to date by clarifying and formalizing the implicit rationale and logic of its programs, and ensure that these are adequately reflected in its results frameworks and systems in the future. This should include the following elements:

- **Articulate the theory of change of the overall program** (i.e., the logical links from inputs to outputs and outcomes, goals and overall objective and the assumptions on which these are based). Developing the program logic or theory of change (see sidebar) will help CGAP managers and stakeholders see how individual activities, initiatives or projects are intended to contribute to overall goals and the objective and will also help CGAP track its progress. (We also encourage CGAP to develop the logic/theory of change for each of its activities/projects.)

#### Theory of change

The causal links between the building blocks that underlie a specific approach to change are often described as a program's *theory of change*.<sup>88</sup>

Developing a theory of change includes:

- Identifying and agreeing upon the long term objectives of a program/initiative
- Identifying all the steps needed to reach a long-term objective, including the program's inputs, the activities they will be used for, the immediate results they will produce, and the intermediate and long-term results they will contribute to
- Explaining and testing the cause and effect relationships that exist between each step
- Identifying the assumptions on which these relationships are based.

<sup>88</sup> For more information on the Theory of Change see: Andrea Anderson, *Introduction to Theory of Change*, Aspen Institute Roundtable on Community Change, 2005.

- **Review and revise CGAP’s Results Framework** to ensure that it reflects the program logic and that it is sufficiently robust to assess CGAP performance more deliberately and more regularly over time.
- **Monitoring and Evaluation:** Develop a formal process and indicators to guide an overall assessment of CGAP’s planned/actual cumulative performance over time at the level of its overall objective (and possibly across its program goals), regardless of the programming phase.
 

Selected performance indicators should remain relevant over time, and thus independent of any specific phase.

  - Indicators should be carefully selected to monitor and evaluate cumulative performance at the overall objective level; they should remain relevant over time, and thus independent of any specific phase. This assumes that CGAP will continue to define an objective that can withstand the test of time (such as the current objective).
  - This could include periodic reviews by the ExCom of the CGAP Results Framework, its strategies and assumptions to identify and operationalize needed changes, complemented by internal/external program monitoring and external evaluations. CGAP might also consider designating a “sparring partner” (internal or external to CGAP) to facilitate such reviews on a periodic basis.
  - CGAP should consider including a corporate component in all evaluations that addresses the key concerns identified in the Bank’s GRPP evaluation guidelines.
  - CGAP might also want to consider budgeting for periodic corporate reviews of selected priorities which can be used to inform CGAP’s learning as well as generating evidence of its accomplishments at the impact level over time (e.g., a review of CGAP’s support for mobile banking in a few years’ time or a review of the continued viability and effects of CGAP’s spin-offs over time).
- **Sustainability of CGAP results:** Clarify and document CGAP’s values and practices regarding sustainability – i.e., the what, why, when, how deeply, and for how long CGAP should get involved in various initiatives; when it is time to withdraw and pass the torch to others; and when it should let an initiative “die” as it has served its purpose. CGAP should consider including such information in CGAP strategies and reference manuals.
- **Enhance documentation:** CGAP has increased attention to clarifying the “key messages” and the implicit theories of change that are driving its initiatives, and to defining its influence models and strategies. CGAP might want to reflect these in its project, program and strategic and operational documents in the future.

**Recommendation 5: CGAP should continue to complement the strategic knowledge and insights offered by its current members with the knowledge and insights of other key players in the financial inclusion arena.**

As CGAP operates in the expanding world of financial inclusion, even its large membership base may not be sufficient to capture all of the issues and views that prevail. While this could be achieved in part through enhanced partnerships (recommendation 3), CGAP might also consider its membership structure. Surveyed CGAP members expressed mixed views on the appropriateness of CGAP’s current membership base, and some interviewed stakeholders suggested that CGAP should consider expanding membership to include parties such as the BRICS, financial service providers, policy makers, and other types of relevant interested organizations, to better realize CGAP’s mission and ambitions with regard to financial inclusion.

One way to capture the views and input of other key players in financial inclusion would be by expanding the membership base of CGAP. Although we are reluctant to suggest increasing the number of donor

members, it is worth considering adding another class of members, such as non-voting or “Class B” shareholders, in order to allow some input and ownership of CGAP without over-burdening the governance of the institution. Another way would be to appoint advisors or elected members to represent new constituencies to the ExCom.

## Appendix I Revised Evaluation Framework

Foci	Sub Foci	Evaluation questions	Indicators <sup>89</sup>	Sources of data
1 Context	Global context	What have been the key changes in the political, social, economic, technological contexts since July 1 2008 that have had effects on CGAP and/or its target groups <sup>90</sup> ? What have been the positive and/or negative effects of these changes on CGAP (i.e. its organizational context, performance and/or capacities)?	Types of changes	CGAP and World Bank publications CGAP Annual reports Interviews with CGAP stakeholders (inside and outside CGAP) Industry studies Literature
		What have been the key trends, lessons, issues, challenges related to financial inclusion and micro-finance over the past three years? What effects have these had on CGAP and its target groups over the period?	Types of trends, lessons, issues, challenges Numbers of actors, including new ones	CGAP and World Bank publications CGAP Annual reports Interviews with CGAP stakeholders (inside and outside CGAP) Industry leaders
	CGAP Context	To what extent has CGAP responded to the recommendations of the previous evaluation (2007)? What are the key reasons for any variances?	% of recommendations that were partially, fully and/or not addressed by CGAP	CGAP Senior Management, EXCOM and CG members

<sup>89</sup> We have included indicators where relevant to do so

<sup>90</sup> By CGAP “target groups”, we refer to the following categories of institutions: a) financial inclusion providers, b) government and policy makers, c) financial inclusion enablers (donors, investors and support institutions). See also section 2.2.

Foci	Sub Foci	Evaluation questions	Indicators <sup>89</sup>	Sources of data
		What have been the key changes in CGAP policies, strategies, finances, human resources, governance structure, programs, members' context and so forth over the past 3 years? What have been the effects of these changes on CGAP (i.e. its organizational context, performance and/or capacities)?		CGAP Senior management staff, ExCom and CG members
<b>2 Relevance</b>	Congruence with global trends, lessons	To what extent have the CGAP IV strategy, annual work plans and services kept pace with the key global challenges, lessons and trends related to financial inclusion and microfinance over the past three years?	Number and type of key global changes in financial inclusion and micro-finance not addressed in CGAP strategy and work plans over the period  Evidence that CGAP is a learning organization	CGAP Annual reports  CGAP stakeholders (inside and outside CGAP)  Industry leaders
	Congruence with CGAP "industry client group" needs and expectations	To what extent have the CGAP IV strategy, annual work plans and services kept ahead of and/or in pace with industry and CGAP target groups' needs over the past three years?	% of respondents in each of CGAP target group categories who are satisfied with the evolution of its services over the period  Degree of satisfaction expressed by respondents	CGAP target group respondents  Industry leaders  Other independent evaluations of CGAP programs and services as available.
	CGAP distinctiveness, niche	To what extent is CGAP distinct from other industry players in any of its services in the area of microfinance and financial inclusion?	Number and types of identified distinguishing characteristics for each CGAP target group category  Number and types of identified distinguishing characteristics for each CGAP service area  Number of organizations that provide similar services to CGAP at international, regional levels.	CGAP target group respondents  CGAP "competitors"  Industry leaders

Foci	Sub Foci	Evaluation questions	Indicators <sup>89</sup>	Sources of data
	Congruence with CGAP mission, values and strategy	To what extent are CGAP's planned annual activities and outputs over the past three years congruent with the CGAP mission, vision, strategy? What are the explanations for any key variances, if any?	Number and types of exceptions	CGAP Senior management and staff CGAP strategy CGAP reports and workplans
<b>3 Effectiveness<sup>91</sup></b>	Planned industry goals(CGAP IV Results Framework)	To what extent has CGAP realized planned CGAP IV goals at the industry level? What have been the effects of CGAP support on its three key industry target groups?	Evidence that CGAP support has supported the realization of stated goals	CGAP annual workplans and reports CGAP Senior management and staff CGAP target group respondents External reports and evaluations
	Financial Service Providers	To what extent has CGAP realized planned CGAP IV goals at the industry level? What have been the effects of CGAP support on this industry target group?	See Exhibit 2.3	
	Governments and Policy makers	To what extent has CGAP realized planned CGAP IV goals at the industry level? What have been the effects of CGAP support on this industry target group?	See Exhibit 2.3	
	Financial inclusions enablers	Donors: To what extent has CGAP realized planned CGAP IV goals at the industry level? What have been the effects of CGAP support on this industry target group?	See Exhibit 2.3	
		Investors including Funds To what extent has CGAP realized planned CGAP IV goals at the industry level? What have been the effects of CGAP support on this industry target group?	See Exhibit 2.3	

<sup>91</sup> See also section 2.2

Foci	Sub Foci	Evaluation questions	Indicators <sup>89</sup>	Sources of data
		Support institutions (e.g., MFI networks, technical assistance providers, training providers, etc.) To what extent has CGAP realized planned CGAP IV goals at the industry level? What have been the effects of CGAP support on this industry target group?	See Exhibit 2.3	
	Clients	To what extent has CGAP's work related to clients prior to 1 July 2011 informed its work with its key industry groups? Two key areas: <ul style="list-style-type: none"> <li>• Learn about client needs, behaviour and impact: and</li> <li>• How do these insights improve CGAP products, services and policies and so forth</li> </ul>	Examples of if/how current or planned CGAP client work that is informing CGAP programs/strategies targeted at FSPs, Policy makers and Government, and Financial enablers	CGAP Senior management and staff
	Unintended effects and impacts	Have there been any unintended (positive or negative) effects and impacts on CGAP or its target groups?	Evidence of unintended effects and impacts	CGAP annual workplans and reports CGAP Senior management and staff CGAP target group respondents External reports and evaluations
	Sustainability of results	To what extent are (will) the results of CGAP's programming being (will be) sustained over time?	Evidence that CGAP clients have initiated and/or institutionalized changes to their financial inclusion policies and/or practices Evidence of CGAP exit plans in place and used over time Number of CGAP initiatives successfully devolved to others over the period.	CGAP Senior management and staff CGAP target group respondents External reports and evaluations

Foci	Sub Foci	Evaluation questions	Indicators <sup>89</sup>	Sources of data
<b>4. CGAP Program Management</b>	CGAP IV Design	To what extent was CGAP IV designed appropriately to realize CGAP's stated mission?	Number of CGAP IV goals that are supported by a clear programming theory % of CGAP IV results that are SMART <sup>92</sup> % of CGAP IV indicators that are clear and appropriate Evidence that sufficient and appropriate levels of resources (human and /or financial) are allocated to realize CGAP results	CGAP IV Design documents CGAP Senior management and staff CGAP EXCOM CGAP Clients
	CGAP Output and Outcome Management	To what extent have CGAP outputs and outcomes contributed to CGAP IV goals?	Target group reports on the relative added-value and contributions of CGAP outputs and outcomes (including CGAP knowledge products)	CGAP annual workplans and reports CGAP Senior management and staff CGAP target group respondents External reports and evaluations
	CGAP Program Management	To what extent have CGAP's managers provided appropriate leadership to achieve its mission?  To what extent do CGAP's managers' backgrounds and expertise reflect program management needs?	Evidence collected from CGAP stakeholders.	CGAP Senior management and staff CGAP EXCOM CGAP Target group respondents
	Monitoring and evaluation	To what extent does CGAP have effective and efficient M&E systems in place that produce timely and useful information needed by its key stakeholders?	EXCOM and CG member satisfaction with the timeliness and content of CGAP reporting and monitoring practices and information	CGAP Senior management and staff CGAP EXCOM CGAP CG Members
		What changes in current systems are needed to enhance how CGAP monitors and reports on its performance?	List of needed changes	CGAP Senior management and staff CGAP EXCOM CGAP CG Members

<sup>92</sup> Specific, Measurable, Achievable, Realistic and Time-bound



Foci	Sub Foci	Evaluation questions	Indicators <sup>89</sup>	Sources of data
	Learning	Does the CGAP Operational Team learn from its external and internal evaluations and monitoring systems?	Examples of lessons learned and utilized	CGAP Senior management and staff
	Value-added	To what extent does CGAP as a global initiative complement country-level work by its member donors?	Examples of	
	Financial management	To what extent does CGAP have appropriate systems in place to generate the kinds of financial resources needed to support CGAP IV implementation?	Evidence of congruence between the systems and CGAP IV implementation needs	CGAP Senior management and staff CGAP EXCOM
		To what extent are CGAP funding arrangements affecting, positively or negatively, the strategic focus, governance, implementation of CGAP IV?	Evidence of congruence between the funding arrangements and CGAP IV needs	CGAP Senior management and staff CGAP EXCOM
	World Bank Institutional arrangement	To what extent is the CGAP-World Bank institutional arrangement supporting or hindering CGAP and World Bank's' visions, mission and objectives in relating to financial inclusion?	Evidence of positive or negative impacts linked to institutional arrangement.	CGAP Senior management and staff CGAP EXCOM CGAP CG Members including the World Bank representative
		To what extent is the relationship between CGAP and the World Bank Group – reporting relationship with FPD and via the Investment Committee - properly aligned and adequately fulfilling its stated role?	Level of satisfaction expressed by CGAP and World Bank stakeholders.	CGAP Senior management and staff CGAP EXCOM CGAP CG Members including the World Bank representative
		To what extent have CGAP and the World Bank paid sufficient and timely attention to developing a World Bank exit plan and strategy?	Level of satisfaction expressed by CGAP and World Bank stakeholders.	CGAP Senior management and staff CGAP EXCOM CGAP CG Members including the World Bank representative

Foci	Sub Foci	Evaluation questions	Indicators <sup>89</sup>	Sources of data
<b>5 Accountability</b>	Accountability to CGAP members	To what extent does CGAP have adequate governance and management systems that are transparent and thorough, yet pragmatic, in providing information about the program? Is CGAP governance and management accountable to CGAP's members and appropriately calibrated to the organization's real needs and risks?	Perception of members Perceptions of staff Observations on existing systems	CGAP Senior management and staff CG members CGAP EXCOM
	Members' accountability to CGAP	To what extent have CGAP members been compliant with their responsibilities under the CGAP Charter and performance indicators?	Proportion of members who have been compliant with their responsibilities	CGAP Senior management and staff CG members CGAP EXCOM
<b>6 Lessons learned and Recommendations</b>	Lessons learned	What are the main operational and developmental lessons of CGAP Phase IV to July 1, 2011?		CGAP Senior management and staff CGAP EXCOM CGAP Stakeholders
	Areas for improvement	In what specific areas (if any) could CGAP improve its developmental or operational performance in the future?		CGAP Senior management and staff CGAP EXCOM CGAP Stakeholders

## Appendix II Stakeholders Consulted

The list of persons interviewed is provided below.<sup>93</sup> Some of those interviewed play several roles inside and outside of CGAP as indicated below:

\* denotes a member of the IC

\*\* denotes a CGAP Member Donor Representative

\*\*\*denotes an Ex-Officio Member of the ExCom

Stakeholder Group	Participant Name	Organization
CGAP Staff	Julia Abakaeva	CGAP
	Greg Chen	CGAP
	Ann Courtmanche	CGAP
	Eric Duflos	CGAP
	Tilman Ehrbeck***	CGAP
	Mayada El-Zoghbi	CGAP
	Xavier Faz	CGAP
	Barbara Gahwiler	CGAP
	Jasmina Glisovic	CGAP
	Mohammed Khaled	CGAP
	Tanaya Kilara	CGAP
	Antonique Koning	CGAP
	Kabir Kumar	CGAP
	Estelle Lahaye	CGAP
	Rudeewan Laohakittikul	CGAP
	Alexia Latortue	CGAP
	Tim Lyman	CGAP
	Merixell Martinez	CGAP
	Rafe Mazer	CGAP
	Djibril Mbengue	CGAP
	Claudia McKay	CGAP
	Kate McKee	CGAP
	Aude de Montesquiou	CGAP
Anna Nunan	CGAP	
Moses Ochieng	CGAP	
Steve Rasmussen	CGAP	
Corinne Riquet	CGAP	

<sup>93</sup> Survey respondents are not included in this list.

Stakeholder Group	Participant Name	Organization
	Ousa Sananikone	CGAP
	Michael Tarazi	CGAP
	Jeanette Thomas	CGAP
	Olga Tomilova	CGAP
	Tonia Wellons	CGAP
ExCom	Matthias Adler**	KfW
	Bob Annibale*	Citigroup Microfinance
	Renee Chao-Beroff	CIDR
	Bob Christen**	Boulder Institute
	Michael Hamp**	IFAD
	Renate Kloeppinger Todd (ExCom until July 2011)**	Former World Bank Staff
	Karen Losse**	GIZ
	Vijay Mahajan	BASIX
	Haroon Sharif**	DFID
Investment Committee (IC)	Deepak Bhattasali	The World Bank
	Frank DeGiovanni**	The Ford Foundation
	Janamitra Devan**	The World Bank
	Tomas Miller**	Multilateral Investment Fund (MIF)
	Antony Thompson	The World Bank
CGAP Member Representatives	Edvardas Bumsteinas	European Investment Bank (EIB)
	Daniel Feypel	Grand-Duche de Luxembourg, Foreign Affairs
	Ruth Goodwin Groen	AusAID
	Philippe Serres	Agence Francaise de Developpement (AFD)
	Hans van der Veen	Ministry of Foreign Affairs, The Netherlands
Other staff of CGAP Members (i.e. not designated CGAP representatives)	Pierre-Laurent Chatain	The World Bank
	Thomas Foerch	German Development Cooperation (GIZ)
	Chris Gerard	The World Bank
	Roland Gross	German Development Cooperation (GIZ)
	Florian Henrich	German Development Cooperation (GIZ)
	Feisal Hussain	UNCDF
	Annica Jensen	USAID
	Fode Ndiaye	UNCDF
	Stefaan Pauwels	European Commission
	Doug Pearce	The World Bank
	Gaiv Tata	The World Bank
	Ann Wessling	DANIDA
Enablers	Bill Abrams	Trickle Up

Stakeholder Group	Participant Name	Organization
	Eky Amrullah	VAIA Indonesia
	Marta Ausin Andres	P4R
	Marco Boa	Microfinanza Rating - Philippines
	Brijmohan	Access Conference Organizer
	Bonny Brusky	Consultant
	Stephanie Charitonenko	Consultant
	Saugato Data	Ideas42
	Tedy Djayawinata	VAIA Indonesia
	Sharon Donofrio	SEEP Network
	Mark Flaming	Consultant
	Alfred Hanning	Alliance for Financial Inclusion (AFI)
	Nick Hughes	Signal Point Partners, Kenya
	Emmanuelle Javoy	Planet Rating
	Dean Karlen	Yale University
	Vikas Kumar	Microfinance Focus
	Marten Leijon	MIX
	Klaus Maurer	Finance in Motion
	Beatriz Morant Zacaes	P4R
	David Myhre	Toronto Centre
	NK Ram	RangDe.org
	Beth Rhyne	Centre for Financial Inclusion, Accion
	David Porteous	Bankable Frontier Associates
	Julia Rabadan Garde	P4R
	Sandra Rodriguez Loira	P4R
	Richard Rosenberg	CGAP Consultant
	Stuart Rutherford	SafeSave
	Charles Ruys	Each BV Consultancy
	Nancy Samy	Sanabel Network, MENA Regional Network
	Rio Sandi	Indonesia Business Links
	Anton Simanowitz	ImpAct Consortium
	Josien Sluijs	Netherlands Platform for Microfinance
	William Steel	ISSER, University of Ghana/IFAD Consultant
	Luis Viada	MicroRate Inc
	Gera Voorrips	PHB Development
	Nyoman irianto Wibawa	Micro Enterprise Partner Cooperative
Financial Service Providers	Subhasree Banerjee	Royal Bank of Scotland
	Asensio Carrion	OXXO, Mexico
	Manab Chakraborty	Mimo Finance

Stakeholder Group	Participant Name	Organization
	Ignatius Cobbina	Fidelity Bank, Ghana
	Dirk Ehlers	Capitec Bank Ltd., South Africa
	Nora Faulina	MFI Sahabat UKM
	David Gibbons	Cashpor
	Anne Hastings	Fonkoze
	Syarif Hidayat	Bank Andara
	Praseeda Kunam	Samhita Social Ventures
	Ted Moser	Opportunity International
	Nejira Nalic	MiBOSPO, Bosnia
	Carolina Velazco	Compartamos
Investors	Marcela Augusto da Silva	CAIXA Economica Federal, Brazil
	Christian Banno	MicroVenture - India
	Anne-Marie Bourgooin	SIDI
	Caroline Bressan	Calvert Foundation
	Tamara Campero	Cordaid
	Sofie Desmet	Alterfin cvba (Belgium)
	David Dewez	Incofin
	Deborah Drake	Accion/CMEF
	Sebastian Duquet	Planet Finance/ ResponsAbility
	Claude Falgon	Horus and Advans
	Anne Gaboury	Developpement International Desjardins
	Frans Goossens	Cordaid (Netherlands)
	Philippe Guichandut	Grameen Credit Agricole
	Jurgen Hammer	Grameen Credit Agricole
	Andi Ikhwan	Mercy Corps- MAXIS Program
	Jayesh Kumar	Grameen Foundation
	Ging Ledesma	OikoCredit International (Netherlands)
	Menix	Plan International
	Jacco Minnaar	Triodos Investment Management BV
	Dina Ponse	Incofin (Belgium)
Alexis Surun	Oxus Development Network	
Harry Tjahyadi	Grameen Foundation	
Rita Vandeu Abbeel	Incofin Investment Management	
Government and Policy	Eliki Bulaweta	Reserve Bank of Fiji
	Ana Candial	FONPRODE/AECID
	Rafael Cascante	FONPRODE/AECID
	Deni	Consultancy for MFIs/ Central bank of Indonesia
	Syed Irfan Ali	State Bank of Pakistan

Stakeholder Group	Participant Name	Organization
	Juan Izuzquiza Rueda	FONPRODE/AECID
	Madam Koid	Malaysian Central Bank
	Jayanta Kumar Sinha	State Bank of India
	Maria Leticia de Paula Macedo	CAIXA Economica Federal, Brazil
	Barbara Quesada	FONPRODE/AECID
	Pia Roman Tayag	Central Bank of the Philippines
Others	Jean-Christophe Bernard	Orange Money, Paris/West Africa
	Roar Bjaerum	Telenor, Pakistan
	Maarten Boute	Digicel, Haiti
	Rakesh Dubey	SVCL
	Elizabeth Littlefield (former CEO of CGAP to 2010)	Overseas Private Investment Corp
	Ravi Rajagopalan	Empays, India

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## Appendix IV Status of CGAP III Evaluation Recommendations

Recommendations	Actions taken by CGAP <sup>94</sup>
<b>Objective 1: Diverse financial institutions</b>	
Retail Advisory Services (RAS) should move to higher level, by distilling and synthesizing lessons learned on commercial bank downsizing jointly with CG members	The RAS was phased out in 2008 and an evaluation was conducted. Lessons learned from RAS were synthesized and disseminated in the Annual Report.
CGAP will need to expand diversity of microfinance providers beyond MFI NGOs and private commercial banks and provide recognition of other microfinance service providers such as state banks and cooperatives.	In Phase III, CGAP engaged with an increasing range of financial service providers, including coops, state banks, Self-Help Groups, etc. CGAP conducted a study on state banks and published a study of SHGs in India.
Towards the end of Phase III, CGAP should prepare an assessment on its contribution to achieving the four desired outcomes under the priority objectives.	Immediately following the CG commissioned evaluation; IEG commissioned a review of the evaluation to 1. Confirm the findings, independence and methodology and 2. Update activities through the end of the phase.
<b>Objective 2: Diverse pro-poor financial services</b>	
Commit the staff and resources required to translate the money transfers, savings and PPIC and graduation work into action, and bring the social performance work to center stage.	CGAP's work on Social Performance and the Graduation Program continued to be key core areas of its work throughout Phase III. The Graduation Program is CGAP's flagship effort to transition the poorest into microfinance and grew into 11 pilots. Lessons learned from CGAP's savings work were integrated into the RAS and CGAP's current Technology Program, as well as advocacy with governments and funders. While CGAP is still on the steering committee of the Remittances Fund, this is not a key area of its work given the fact that a number of other organizations are already very active in this space. The PPIC was phased out in 2009 after it was deemed to have met its goal of encouraging innovative pro-poor financial services especially for small and relatively unknown MFIs.
Contract additional expertise on specific areas – such as savings, monitoring and evaluation – if necessary to ensure quality project design, implementation and evidence collection.	CGAP contracted a senior consultant to provide high level guidance and advisory services on Savings (Glenn Wesley); and on monitoring and evaluation (for the program reviews).
Send a strong message to IFIs and DFIs about their role in helping formal financial institutions to expand savings services. Use RAs as vehicle to pioneer new approaches to facilitating savings service development and to encourage more investment in savings projects, not just credit projects.	CGAP significantly increased its work with IFI's and DFI's regarding savings services, mainly through publications and knowledge products. See Annex 1.
<b>Objective 3: Transparency</b>	
Run the annual Financial Transparency Awards through the end of Phase III. More effort should be spent profiling winners and sharing their stories through CGAP communications.	The Financial Transparency Awards operated through Phase III and were complemented by the Social Performance Transparency Reporting Awards.

<sup>94</sup> As reported by CGAP at January 19 2012

Recommendations	Actions taken by CGAP <sup>94</sup>
CGAP IS Fund should be expanded.	The IS Fund continued to operate until FY2010.
Multi-donor Rating Fund should not be extended beyond 2007.	The Rating Fund closed in December 2007.
CGAP should continue to support the MIX.	CGAP continues to support the MIX and to improve synergies between MIX and CGAP.
CGAP should work more with investment funds.	CGAP pro-actively engaged with a wide range of investment funds during the remainder of Phase III. This included gathering market intelligence on investment funds and developing performance benchmarks for MIVs.
<b>Objective 4: Sound Policy and Legal Framework</b>	
CGAP should engage more systematically with the WB.	CGAP's policy work is closely coordinated with the WB, with CGAP focusing on short-term policy responses compared to the Bank's longer-term policy dialogue at the country level. CGAP also conducted several FSAPs with the Bank.
CGAP should increase its presence in mainstream policy for and make the case for building inclusive financial systems.	CGAP regularly participates in international policy fora such as the WB/IMF Annual Meetings, global standard-setting bodies, G20, etc.
CGAP should make a gradual shift in policy work from damage control ("averting something bad") to a more proactive approach ("creating conducive environment").	CGAP's policy work looks at the entire spectrum of the policy and regulatory environment for A2F, not just "damage control". For example, CGAP's advisory work on branchless banking policy and its research and advisory work on consumer protection take a proactive approach to creating a conducive policy environment for pro-poor financial services.
CGAP should develop a clear and consistent policy message.	CGAP's policy messages have been consist.
CGAP should involve CG members more actively in policy work/country diagnostics.	See Annex 2:
<b>Objective 5: Aid Effectiveness</b>	
Tie in aid effectiveness work more systematically to content areas. Re-orient from fixing donor internal systems to identifying and working with donors on their comparative advantage.	While CGAP continues to provide SmartAid as a service to funders, its aid effectiveness work is closely tied to content areas.
Consider when and how best to work with IFIs/DFIs.	CGAP has intensified its work on transparency, standard setting and improved practices as well as convening to advance dialogue among IFIs/DFIs on certain topics related to the effectiveness of their interventions. See Annex 3
Consider whether and how best to work other funders such as apexes, investment funds, etc.	CGAP has actively engaged and conducted several scans and surveys of apexes and investment funds.
Carry out mapping exercise of donor comparative advantages and activities at country level.	The CLEARs mapped out all donor projects in each of the country visited and looked closely at gaps and donor comparative advantages at the country level. CGAP also conducted mapping of CG members activities at the policy level and shared its findings with the CG. It also conducted a mapping of Apexes which provided information on which donors fund what apex on the ground. Funder Mapping contains some self-reported information on donor projects, with information

Recommendations	Actions taken by CGAP <sup>94</sup>
	available at country-level.
Develop web-based Donor Information Exchange on which this information is shared and which provides a platform in which donors can update their own information on what they are doing where.	Not done

## Annex 1: Savings (Deposit mobilization) related interventions

### 2008-2011 Publications:

**Advancing Savings Services: Resource Guide for Funders**, 2011. Forthcoming in October. CGAP developed this Technical Guide to help guide donors and investors who wish to support savings mobilization. The document provides guidance on actions related to client demand, institutional supply, intermediation, and regulation and supervision.

**Is There a Business Case for Small Savers?** 2010. CGAP Occasional Paper. This study examines quantitatively whether or not small savers—defined here as the half of all savings clients of a microfinance institution (MFI) with the smallest deposit account balances—contribute to or undermine the sustainability of the MFI. <http://www.cgap.org/p/site/c/template.rc/1.9.47356/>

**Are Deposits a Stable Source of Funding for Microfinance Institutions?** 2009. CGAP Brief. This paper examines the actual behavior of deposits raised from poor individuals. <http://www.cgap.org/p/site/c/template.rc/1.9.34820/>

**Asset and Liability Management for Deposit-Taking Microfinance Institutions**, 2009. CGAP Focus Note. The paper gives recommendations to MFIs regarding their asset and liability management strategies to match the diversification of their funding sources and the risk that comes with it. <http://www.cgap.org/p/site/c/template.rc/1.9.34818/>

**Country-Level Savings Assessment Tool**, 2008. This tool is designed to help guide analysts, researchers, governments and donors who wish to undertake or commission their own Country-Level Savings Assessments. <http://www.cgap.org/p/site/c/template.rc/1.9.5288>

**Who are the Clients of Savings Banks?** 2008. This CGAP funded study conducted in partnership with WSBI analyses poverty level of the clients reached by savings banks in India, Mexico, Tanzania and Thailand. <http://www.microfinancegateway.org/p/site/m//template.rc/1.9.29547>

**Advancing Savings Services - Podcast** - (<http://www.youtube.com/watch?v=0ciZVmTGGy0>) highlights of messages on promoting savings services, including the role of DFIs.

### 2011: Savings Series on CGAP Microfinance Blog

The objective of this blog series was to show the progress made in access to savings for poor and low income people. The series included a diverse cross-section of views from twelve practitioners and researchers who shared best practices, lessons and challenges that they experienced in the field. <http://microfinance.cgap.org/series/savings-series/>

We also supported various industry players in their efforts to promote savings. Examples:

### 2011

#### Strategic Advice on Savings

- As a member of a Steering/Advisory Committee for two projects on savings funded by the Gates Foundation CGAP provided strategic inputs related to project design, development and monitoring. In February, CGAP participated in the WSBI Steering Committee Meeting held in

Belgium. The main objective of this project is to support savings banks to double the number of savings accounts for poor people that meet their needs and are affordable, accessible, safe and trustworthy.

- In June 2011, CGAP participated in the SPINNAKER (The Savings for the Poor Innovation and Knowledge Network) Advisory Roundtable held in London and coordinated by the New America Foundation. A small group of selected experts and representatives including CGAP met to view and discuss the beta site and broader questions related to the project.

### 2010

- In February 2010 CGAP organized and managed a workshop with 60 key funders and stakeholders to discuss the role of Funders in Promoting Savings. The event was well received and served as a foundation for the development of the publication “Advancing Savings Services: Resource Guide for Funders”.

The meeting was rated 4.2/5; detailed comments are available

- In July 2010 CGAP developed and delivered a training session on savings for MicroNed staff, a network of the largest Dutch NGOs focused on promoting access to finance in developing countries.

The meeting was rated 4.3/5

- Savings panel at the MFC conference in Kazakhstan
- Savings Session at the EU MF Week

### Work with MFIs

#### 2010 (on-going)

YouthSave Initiative - work with four financial institutions in Colombia, Ghana, Kenya, Nepal to encourage financial institutions to begin offering youth savings and more generally, small balance savings products.

### Annex 2: Policy Diagnostics

During CGAP IV, all policy diagnostic exercises have involved CGAP members, with attention in selecting partners to their comparative advantage, depending on the country and/or subject matter. Representative examples include:

- **2007 Branchless Banking Diagnostics** - These seven diagnostics, conducted in the first phase of the Technology Program (funded at that time just by the Bill & Melinda Gates Foundation) provided the evidence base for the seminal joint CGAP/DFID Focus Note 43 on regulating branchless banking for the poor. The diagnostic teams drew on the expertise and specific country knowledge that CGAP and DFID had been developing separately since 2005, and the positive experience of combining forces was a factor contributing to DFID's decision to join the Technology Program as a funder in its second phase.
- **2008 Nigeria Policy Diagnostic** - The World Bank requested CGAP to conduct this joint diagnostic on financial access as part of a broader diagnostic on the Nigerian financial sector, and the diagnostic team consisted of a mix of World Bank and CGAP staff and consultants carefully selected based on complementary skill sets.
- **2010 Branchless Banking Diagnostics** - These eleven diagnostics provided the evidence base for the G20's Principles for Innovative Financial Inclusion, developed through a collaborative process led by CGAP member AusAID and Australian Treasury in their capacity as Co-Chairs of G20 Financial Inclusion Experts Group's Subgroup on Access through Innovation.

**2011 Senegal and Nicaragua Consumer Protection Diagnostics** - These two "learning" diagnostics on financial consumer protection at the base of the pyramid involved important partnerships with CGAP members. In the case of Senegal, KfW led and funded the consumer testing component of the diagnostic, using CGAP's consumer research methodology. In Nicaragua, CGAP added insights from our work with consumer testing to the standard diagnostic methodology used by our partner for that diagnostic, the World Bank's Global Practice on Consumer Protection and Financial Literacy, which is considering adopting this consumer research methodology as a component of their standard diagnostic approach going forward. The diagnostic was also supported by the FIRST Initiative, in which a number of CGAP members participate, and the Latin American and Caribbean Vice Presidency of the World Bank.

### **Annex 3: CGAP's work with DFI's.**

- CGAP improved transparency on DFI portfolio and performance in microfinance, provided DFIs with benchmarks in individual snapshots and published global analysis on their role in the microfinance funding landscape in several Focus notes.
- CGAP worked with the IFIs/DFIs on strengthening their role in advancing responsible finance. We developed a technical guide for implementing Client Protection Principles throughout their investment process and responded to DFI demand for a due diligence checklist on client protection.
- CGAP has co-organized investor meetings and peer to peer consultations among DFIs/IFIs on topics related to their additionally and responsible investment. Several of those meetings were co-organized with DFI leaders like KfW, FMO and AFD.

## Appendix V Limitations in CGAP Vertical Logic

### Some Examples of Limitations in the Program's Vertical Logic

- Disconnect between the reach (beneficiaries) of goals and outcomes
  - Goal 3 is focused on donors and investors, but the outcomes focus mainly on CGAP members, who represent a relatively small proportion of those investing in microfinance. This has a limiting effect on CGAP's potential influence on stimulating support for microfinance or inclusive financial services more broadly.
- Beneficiary or expected change in the targeted beneficiary is not clear
  - Goal 1 is defined in terms of the “financial market infrastructure” (which is imprecise), rather than financial service providers (FSPs).<sup>95</sup> If CGAP is to influence change, it may help to be more specific as to which entities it hopes to influence.
  - One of the outcomes associated with Goal 3 is “standardized social and financial performance information on major funders is accessible.” It would help if the indirect link between this outcome and the stated goal that “the effectiveness of funding for access to finance is improved” was made more explicit.
- Disconnect between goals and mission
  - While Goal 3 may meet CGAP member's expectations for increasing their effectiveness in supporting microfinance, the rationale for this goal in terms of CGAP's mission is not clear. For example, if CGAP decided for some reason to cease supporting donors and investors, it is not evident that this would have a limiting effect on mission achievement, as other funding for innovation and other initiatives may be available. Again, it would help if the indirect link were made more explicit.
- Missing outcomes
  - While Goal 1 is a more efficient financial market infrastructure, the outcomes associated with this goal emphasize the supply side (*viable models for financial services are demonstrated and ready for adoption*); there is no outcome associated with CGAP playing a role in stimulating the demand side, which would appear important to influencing change and would better reflect the attention paid to demand in reviewed IC documents.
  - While Goal 3 and the CGAP mission refer to expected changes in local funding markets, neither of the outcomes associated with Goal 3 make reference to local markets, raising questions about how part of the goal will be realized.
- Missing assumptions and risks
  - While reviewed IC proposals do identify associated risks, the CGAP Phase IV strategy document does not address the potential impact of external contextual threats such as the global financial crisis or the reputational risks experienced in the past several years.

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<sup>95</sup> We use the term FSPs here to encompass all types of existing/potential financial service partners including telecommunications companies and retail stores, credit unions, MFIs and so on.



## Appendix VI CGAP Branchless Banking Models and Partners

This table describes the business models and partners with which CGAP had worked as of the end of 2011 through its Technology and Business Model Innovations program, as of the end of June 2011.

Business Model	Description of business model	Partner	Country	Number of customers (Dec. 2011)
Mobile payments/eMoney	Telco as issuer and distributor of electronic money	GXI - Gcash	Philippines	842,000
Mobile payments/eMoney	Telco as distributor of electronic money	Orange	Mali	500,000
Mobile banking	Bank issuing low-cost mobile accounts	Wizzit	South Africa	480,000
Mobile banking	Bank issuing low-cost mobile accounts	Xac	Mongolia	75,087
Mobile banking	MF Bank partnering with Telco issuing low-cost mobile accounts and transfer services	Telenor/Tameer	Pakistan	725,270
Agent network	Third party developing an agent network and low-cost account for bank	Eko	India	241,248
Agent network	Third party developing an agent network and low-cost account for MFIs	NationLink	Philippines	25,000
Mobile banking	Third party developing an agent network and low-cost account for bank	AVVillas+DDDedo	Colombia	N/A
Product experiment	Bank leveraging customer relationships with Telco to develop a credit/savings product	MVK	Kenya	20,000
Shared core banking system	MFI Federation developing a shared core banking system for MFIs	RFR	Ecuador	N/A
Shared core banking system	Government institution developing tool to automat SHG transactions	SERP	India	N/A
Nationwide payment system	Central Bank as issuer of electronic money for all currency in a country	MMA	Maldives	N/A
Agent network	Third party retailer developing a shared correspondent network for banks	Oxxo	Mexico	N/A

## Appendix VII Collective Impact

Based on Stanford's Social Innovation Review 2011, "Collective Impact," by John Kania and Mark Kramer, Winter 2011.

Conditions of Collective Success	CGAP Current Examples	CGAP Future Potential
Common Agenda	Member support for CGAP mission; CGAP facilitates donor coordination	Craft and publicize shared vision related to financial inclusion (e.g., what will world look like in 10 years?)
Shared Measurement Systems	MIX Market indicators for microfinance and branchless banking; work with World Bank on broader indicators for financial inclusion	Need for better indicators related to insurance Need for systematic ways to standardize and update broad financial inclusion indicators Strengthen results framework accordingly
Mutually Reinforcing Activities	Partnership agreements to share "knowledge for knowledge," CGAP coordinates learning across multiple projects and pilots	Worry less about leadership position and more about role as convener and facilitator of multiple partners working toward common agenda
Continuous Communication	CGAP regularly convenes technical leaders; frequent contact and reporting with members; blogs, publications, websites and other communications targeting various audiences	Better integrate local actors, other stakeholders (e.g., credit unions)
Backbone Support Organizations	CGAP as technical backbone for members; World Bank as administrative backbone for CGAP	Ensure exit strategies consider institutional backbone as projects and activities are transitioned away from CGAP

