
OUR VISION

A world where everyone has access to and can use the financial services they need to improve their lives.



2015 ANNUAL REPORT



Credit | Erkan Kalenderli

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Consultative Group to Assist the Poor

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LETTER FROM THE CEO

Fiscal Year 2015 was one of momentous progress in the field of financial inclusion. East Africa has built on the strong foundations laid by early innovators, registering impressive growth in the delivery of mass market financial services, fueled by the mobile industry, but increasingly incorporating the traditional banking sector and other providers. Innovation is no longer confined to East Africa, with important progress made in Côte d'Ivoire and Ghana during the past year, along with corresponding increases in access to basic financial services. In a number of markets in Africa, the year has also seen the establishment and tightening of enabling regulatory frameworks that will further support the cause of financial inclusion for all. This has positive spillover effects: innovation in financial services is enabling access for poor Africans to nonfinancial services that really matter, including energy, water, health, and education. New models are emerging across the continent that are able to ride on the payment rails established by early innovators.



Financial services for the poor is becoming mainstream across the globe, with governments and the private sector recognizing the importance of universal financial access. India is pushing the boundaries of what governments can do to mainstream financial services, leveraging public good infrastructure to enable private providers to affordably serve low-income populations. Over the course of the past year, 23 new bank licenses were issued to address these needs, and a remarkable 180 million new users were reached with basic Jan Dhan accounts. Digitizing government-to-person payments, building unique identities through the Aadhar biometric ID system, and building a public payments

infrastructure are all ways in which the Indian Government is using its muscle to promote a broader financial inclusion agenda. China has demonstrated the power of e-commerce through the impressive growth of Ali-Baba and the various financial instruments that sit behind it, from payments to loans, savings, and insurance products. Consumers gain access to services they want and financial services and technology are key enablers of this access. As China adopts a broader financial inclusion agenda and activates its vast public network of agents, we expect to see an acceleration of access in the world's largest market. On the other side of the globe, Latin American retailers are disrupting traditional financial services in fundamental ways, providing payments services on behalf of banks and embedding finance into the sale of consumer goods. Across the region, deeper inclusion is being driven by entities like convenience stores, mobile network operators, and large retailers. Governments continue to support deepening of financial access through enabling regulatory environments, delivering social payments through digital means, and building the supporting infrastructure to enable financial access.

Within these markets, the industry continues to grow and experiment, fine-tuning early stage innovations into established business models that can grow and have staying power. And regulators in developed and developing countries alike are beginning to get to grips with the new and complex challenges of regulating and supervising a competitive digital financial marketplace. Once the digital rails are securely in place, it is possible to build new and innovative services that ride on those rails, and important structural issues can begin to be addressed, such as open access, competition, interoperability, and open APIs. Smart phones are becoming increasingly available, which opens up a range of new opportunities for providers. Value chains are disaggregating, leaving key functions in the hands of those best able to manage them. New

partnerships are developing that play to the relative strengths of different players in the digital value chain. The financial access ecosystem now looks like an ecosystem and includes players as diverse as banks, microfinance institutions, mobile network operators, payment services providers, merchant aggregators, retailers, Fintech companies, energy services providers, traditional payment providers, government



departments, regulators, funders, and NGOs. The digital revolution provides new opportunities for a wide range of players to reach the poor with affordable financial services. And this is only the beginning.

Despite this momentum, important challenges remain for the industry. New, disruptive business models mean new challenges for providers, consumers, and regulators. Having access to a financial service means that potentially vulnerable consumers are exposed in new ways, and providers and governments need to find ways to help manage those risks through prudential regulation and stronger industry standards.



Credit | Hiu Huenh

Regulators accustomed to supervising a relatively limited number of known entities are now faced with a plethora of new and unfamiliar providers, and struggle to keep up with an ever accelerating pace of change. Businesses are still struggling to demonstrate commercial viability, and reaching marginalized communities such as rural and displaced populations and the ultra-poor is a challenge that may require collaboration with governments and NGOs. Some regions have yet to begin the journey toward financial inclusion, with the Middle East and North Africa still lagging behind other regions, although some important first steps are beginning to take shape. In short, as a community, we have made a lot of progress, but much more remains to be done.

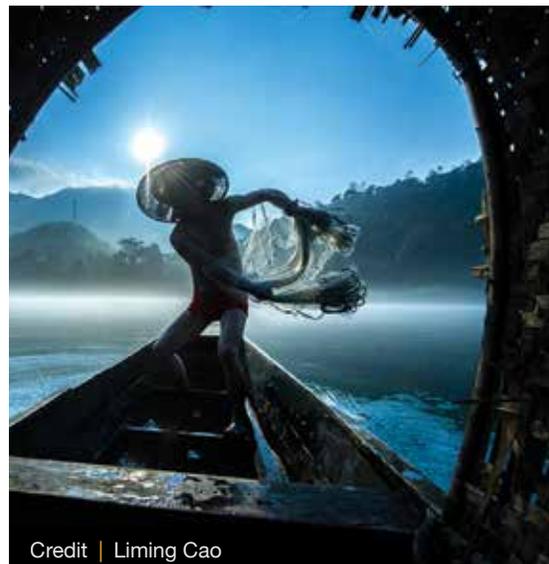
The international community has played an important role in supporting this momentum, and CGAP has been a pivotal player in the evolution of the financial access story. Celebrating its 20th anniversary in 2015, CGAP can look back with pride at an evolution that began with support to an incipient microcredit industry in 1995 to a point where the World Bank Group has created an explicit goal of Universal Financial Access by 2020 and financial access is embedded in a number of the United Nations' Sustainable Development Goals for 2030. Truly remarkable progress. The fact that financial access is seen as an enabler for many important development needs—from health to education to energy—demonstrates just how fundamental the ability to pay, save, borrow, and manage risks are in the lives of the poor. This is now understood, from the standard-setting bodies that determine how the global financial sector will function to governments across the developing world who have taken up the cause of financial inclusion to private companies who continue to push the boundaries of what is possible in reaching the poor.

Working through partners in industry, government, and the nonprofit sector, CGAP uses applied research, advocacy, and knowledge sharing to help the industry identify, frame, and mainstream the elements that will advance the cause of financial access for the poor. Our work in FY2015, described in more detail in this Annual Report, was aligned to five strategic priorities:

- 1 Understanding demand to effectively deliver for the poor.
- 2 Financial innovation for smallholder families.
- 3 Developing robust provider ecosystems.
- 4 Building an enabling and protective policy environment globally.
- 5 Promoting effective and responsible funding for financial inclusion.

I joined CGAP in September 2015 and have been universally impressed and humbled by the quality of work that takes place here. Through our partnerships with governments, standard-setting bodies, funders, and providers of financial services to the poor, we are beginning to make measurable progress towards the ambitious goal of universal financial access. There is still much to do, but strong foundations are in place for achieving this goal in the foreseeable future. As we enter our 21st year, we look forward to strengthening the partnerships that have made this progress possible and tackling the new challenges that will arise. It is an exciting time to be working on financial inclusion.

—Greta L. Bull, CGAP CEO



Credit | Liming Cao

**CGAP has
recommitted to our
vision and mission, and
we identified strategic
priority areas that
endeavor to explore
and shape market
acceleration.**



Shared Vision

A world where everyone can access and effectively use the financial services they need to improve their lives.

Mission

To improve the lives of poor people by spurring innovations and advancing knowledge and solutions that promote responsible and inclusive financial markets.

Five-Year Priorities

- Understanding demand to effectively deliver for the poor.
- Financial innovation for smallholder families.
- Developing robust provider ecosystems.
- Building an enabling and protective policy environment globally.
- Promoting effective and responsible funding for financial inclusion.

Launched in FY2014, CGAP's five-year strategy encompasses nine initiatives.

Initiatives

01 | Customers at the Center

02 | Graduating the Poor

03 | Innovating for Smallholders

04 | Inclusive Payment Ecosystems

05 | Digital Finance Frontiers

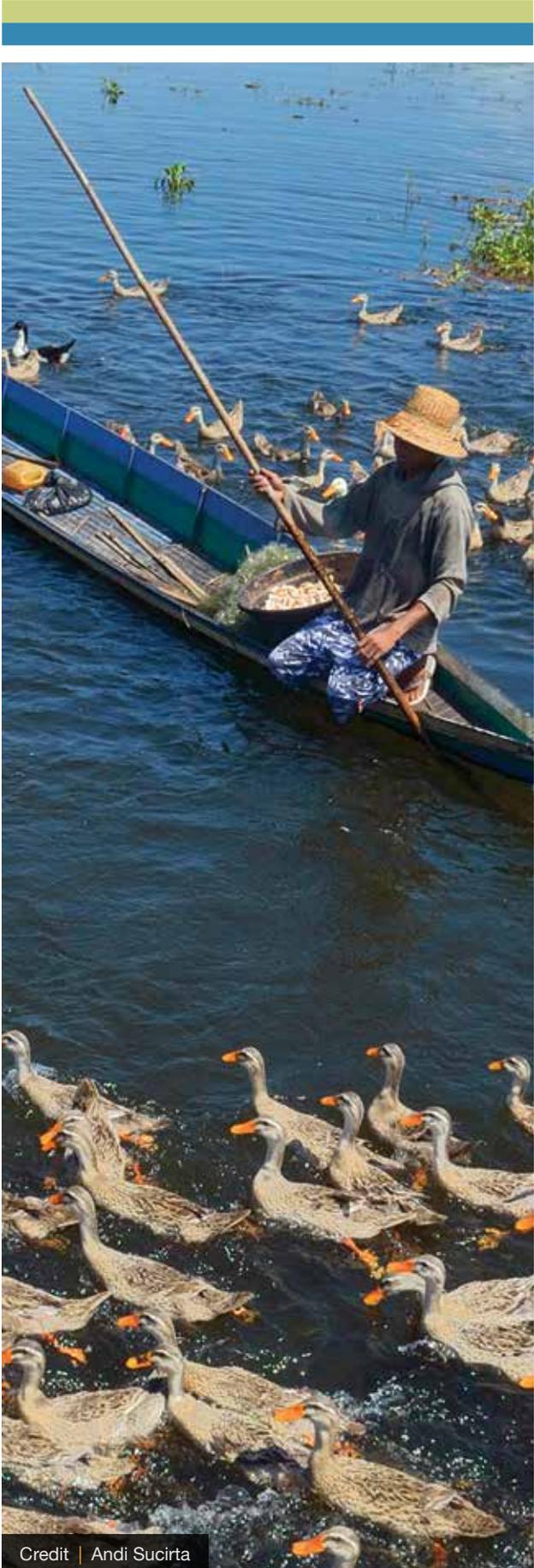
06 | Digital Finance Plus

07 | Global Policy Architecture

08 | Protecting Customers

09 | Guidance for Funders

Each initiative was established based on a clear purpose to detail the barriers that prevent financial inclusion; to articulate an upfront plan to remove barriers to change and to define CGAP's role to bringing about this change; and to be accountable for results by measuring CGAP's contribution against time-bound outcomes.



Credit | Andi Sucirta

Customers at the Center

Access to financial services is central to financial inclusion, but people cannot benefit from financial services if they do not use them.



Credit | KM Asad

CGAP works to advance customer centricity—a way of designing products and services that begins with understanding the customer. For poor customers, this starts by recognizing their great diversity and the daily challenges they face. While often defined by a single attribute—their poverty level—they are a diverse group of people and require a range of products and services.

Access to financial services is central to financial inclusion, but people cannot benefit from financial services if they do not use them, and providers cannot generate income from their business activities when there is lack of use.

68%

For example, 68 percent of registered mobile money accounts globally had not been used at least once in three months, according to 2014 data.

26%

Inactivity is not only an issue for mobile accounts, overall 26 percent of all accounts are not used at all, or infrequently. These numbers reflect low or no value for customers, and concomitantly low or no value for providers, and society as a whole.

Becoming a customer-centric institution is not easy and often involves a complete shift in the way a financial service provider operates. However, analysts of successful business models across industries agree that customer-centric providers tend to fare better in the long run, as they are better at retaining customer loyalty and identifying and meeting evolving demand. But does this work for low-income customers, where margins are thin? We believe that it does and that customer centricity at the base of the pyramid is a critical element for success.



Credit | Carlo Zamora



Micro and Small Enterprise Finance Working Group

The Micro and Small Enterprise Finance Working Group (MSE WG), created in 2010, is associated with the Customers at the Center Initiative. The MSE WG is an informal forum for peer learning and knowledge exchange on micro and small enterprise among CGAP members and other interested organizations. It focuses on sharing insights and good practices, with the CGAP Operational Team facilitating a learning agenda with the active participation of WG members. The WG is co-chaired by a CG member and a member of the CGAP Operational Team. The WG meets in person once a year during the CGAP Annual Meeting and two to three times virtually through calls during which MSE finance topics of interest are presented and discussed. In FY2015 the WG covered the topics of women in MSEs and heuristics for MSEs.



How the Poor Manage Their Money

How are poor people able to create some financial predictability, when they face low and unpredictable income as well as unexpected expenses? They seem to rely heavily on rules of thumb, conventional wisdom, and habitual practices. CGAP has produced a video to explain the four behaviors that commonly underpin people's money management practices, which are drawn from a CGAP working paper, "Money Resolutions, a Sketchbook." By understanding how poor people manage their money, financial service providers can create solutions that will be taken up more broadly. To view the video, visit the online version of this report at cgap.org/ar2015.

FY2015 Highlights & Outputs

During FY2015, CGAP identified five pillars of a customer-centric framework, started conceptual work to guide financial service providers toward a customer-centric business model, and partnered with financial service providers to influence their strategies on customer centricity and to help them implement customer centricity as a business model.

Developed the five pillars of a customer-centric business model:

- 1 Leadership and Culture**
Blog Post: “Rethinking What it Takes to Lead Customer-Centric Organizations.”
- 2 Focused Operations**
Operations focused on the customer — compliance, risk, technology, human resources, finance, marketing, legal, and training.
- 3 People, Tools, and Insights**
Collecting information, generating insights, informing strategy, informing customer value propositions, and empowering employees.
- 4 Customer Experience**
Based on insights generated, design, conceptualize, test, build, deliver, scale, and renew.
- 5 Value Creation**
Creating and measuring value at customer, firm, and societal levels.

Other work included the following:

- **Video:** “Janalakshmi’s Journey to Customer Centricity.”
- **Publication:** “From Insights to Action” (October 2014), a synthesis of lessons from applied product innovation work.
- **Framework:** Conceptualized a customer empowerment framework to enable customers toward choice, use, and voice.
- **Platform:** Launched a WorkSpace that serves as a platform for interaction and sharing for the Customers at the Center community of practice and other areas in CGAP.

To view an online version of this report containing links, videos, and downloads, visit cgap.org/ar2015.

Graduating the Poor

“Much of the news about global poverty is depressing, but this is fabulous: a large-scale experiment showing, with rigorous evidence, what works to lift people out of the most extreme poverty.”

—Nicholas Kristof, *The New York Times*



Credit | Trung Vo Chi

CGAP's Graduating the Poor Initiative mobilizes select policy makers, funders, researchers, and other stakeholders to help governments scale up this successful approach for supporting extreme poor families to make sustainable gains in consumption, income, assets, and well-being by building viable livelihoods. The approach, which has been rigorously tested in 10 pilots in eight countries, combines a carefully sequenced set of interventions targeted to very poor people, including consumption support, livelihoods assistance, an asset transfer, access to savings services, and coaching.



FY2015 Highlights & Outputs

- Generated and shared impact evidence and global knowledge and emerging good practices to encourage crowding-in of over 30 new implementers of the Graduation Approach, two-thirds of which are large-scale government social protection programs.
- **Infographic:** Science article summarized six randomized control trial (RCT) impact studies on the pilots, reaffirming the credibility of the model. The article led to significant media coverage, including an op-ed in *The New York Times*, a full page in *The Economist*, and articles by other major news sources. A CGAP-produced infographic accompanied the publication.
- **Studies:** A CGAP-Ford-IPA-J-PAL event unpacked the evidence from the six RCT impact studies on the pilots. It featured policy makers from countries beyond the initial Graduation reference group (Colombia, Indonesia, Mexico, and Paraguay) as well as strong participation from the World Bank Social Protection and Labor Practice and countries including Ethiopia.

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Innovating for Smallholders

Smallholder finance has traditionally meant one product (loans) for one purpose (agricultural production). A more holistic approach is needed to address the much wider array of financial solutions relevant to smallholder families.



Credit | Muhammed Shaiful Islam

An estimated 500 million smallholder farming households (representing 2 billion people) rely to various degrees on agricultural production for their livelihoods. They represent the largest client segment by livelihood of those living on less than \$2 a day.

Smallholder families are not just agricultural producers. They are also consumers who have diverse financial needs and who often earn income from a variety of nonagricultural sources, including labor and off-farm enterprises. The first step in successfully serving these clients is to better understand their needs, aspirations, and behaviors. An enhanced understanding of smallholder demand will help financial services providers and other stakeholders to develop and pilot more effective financial services and products tailored to smallholder families. This includes a focus on improving households' ability to manage risk and smooth consumption, while also lowering provider delivery costs through the use of technology.



Over the course of the past year, CGAP pursued three research projects aimed at identifying key smallholder segments, understanding their financial behaviors, and building stronger business cases for the financial tools they demand:

- 1 Financial diaries with smallholder households in Mozambique, Tanzania, and Pakistan, which track the financial and in-kind transactions of approximately 90 families in each country.
- 2 Nationally representative surveys of smallholder households in five countries that aim to both generate a clear picture of the smallholder sector at the national level and profile the four to six key segments of smallholder households.
- 3 Human-centered design (HCD) projects in Zimbabwe, Senegal, Cambodia, and Rwanda that explore the potential of digital financial solutions to more effectively serve smallholder families.

FY2015 Highlights & Outputs

Completed data collection for Smallholder Diaries. Interim outputs include:

- **Report:** “Early Insights from Financial Diaries of Smallholder Households” (March 2015), which details the methodology and shares early findings.
 - **Blog Series:** A blog series on the art and science of Financial Diaries.
 - **Photo Gallery:** Photo gallery of images taken by Smallholder Diaries participants in Mozambique (CGAP provided cameras to participants and asked them to take photos that represent challenges and successes they face in their daily lives).
-

Data collection completed for national surveys of smallholder households in Uganda and Mozambique, and planned for Bangladesh, Tanzania, and Côte d’Ivoire.

Blog Series: Completed four human-centered design projects, including development of a pilot product in Zimbabwe aimed at helping farmers digitally save for their children’s education.

To view an online version of this report containing links, videos, and downloads, visit cgap.org/ar2015.



Financial Diaries of Smallholder Families

There are an estimated 500 million smallholder farming households in the world, representing more than 2 billion people. To get a better understanding of how these families manage their finances, CGAP is conducting financial diaries research with 90 families in Tanzania, Mozambique, and Pakistan. The interviews capture information about cash flows in minute detail. To view these interviews, visit the online version of this report at cgap.org/ar2015.

Inclusive Payment Ecosystems

Kenya's recent financial inclusion progress demonstrates how inclusive payment ecosystems can be a game changer for reaching and serving poor people and providing access to a range of other services.



Credit | Wim Opmeer

When Kenya started its journey toward building an inclusive payment ecosystem eight years ago, less than one in five adults were formally financially included. Today more than two-thirds of Kenyans are included, driven primarily by the mobile money service M-Pesa. Since M-Pesa, many other financial services have been added, including M-Shwari, a digital savings and credit product launched by the Commercial Bank of Africa in 2012 that already has 10 million clients. Another example is M-Kopa, a start-up energy company that enables off-grid households to finance and install solar electricity home units that can be paid for via digital means.

Inclusive payment ecosystems have big benefits for the poor and financially excluded on their own, but importantly, they form backbones that enable new financial services to be created. CGAP holds that as countries move toward a level where more than half of all adults are actively using a digital account and payment service, many other financial inclusion-related services and benefits will emerge.



Credit | Kazi Mushfiq Hossain

There are five key components to a well-functioning, country-level inclusive payment ecosystem:

- 1 Enabling regulations.** Financial sector regulators adopt regulations that foster innovation and evolve as market conditions change. For example, allowing a diverse range of financial service providers to use agents or issue electronic money, making it easier for poor people to sign up for accounts, and creating level playing field rules that promote fair competition.
- 2 Enabling infrastructure.** The reach and quality of mobile telephony, the presence of reliable national ID systems, and well-developed agent networks that provide accessible transaction points can be significant determinants of how wide and deep payment ecosystems can reach.
- 3 Dynamic service providers.** Payment ecosystems go to scale driven by innovative new business models.
 - The foundation is businesses (banks and nonbanks, such as mobile network operators [MNOs]) that offer basic payment and account services. These front-line providers of basic payment accounts are the building blocks for reaching large numbers of people. They serve as the entry point for inclusive payment ecosystems, complemented by other kinds of businesses.
 - Traditional financial institutions, such as banks, nonbank financial institutions, or insurance companies that offer new services over the digital payments infrastructure through creative partnerships.
 - Agent network managers that oversee large-scale cash-in and cash-out points of service (POS) (human ATMs).
 - Aggregators that consolidate bulk payments, such as utility bills or salary payments.
 - Innovative start-up businesses that can find a foothold and even thrive in an active ecosystem.
- 4 Payment interoperability.** Key components of payment ecosystems are what connects various businesses to each other and to end customers. One such connector are applied programming interfaces (APIs), which are technical portals payment providers allow other businesses to connect with and use to make payments. A second connector is how different payment providers send payments to each other and the wider banking system in conjunction with agreement on business rules and the actual offering of products in the market. This is referred to as interoperability. As APIs open up and interoperability is established, more use cases emerge and new business arrangements result.
- 5 Compelling use cases.** Ultimately, inclusive payment ecosystems must offer compelling solutions. This includes basic payment services from one person to another, from a government to a person, and vice versa, as well as business payments. Other uses include new products such as digital credit and savings or services that provide access to electricity, water, or education that leverage the power of digital payments. Active use of digital payments and the appearance of new services are signs that value is being delivered to end clients. Greater use of payment services also generates revenue for business models and spurs further growth and innovation in the ecosystem.



These conditions do not come together easily or quickly. All these elements take time to build and work together. Building inclusive payment ecosystems requires sustained effort and even changes in direction as some things fail and others unexpectedly succeed.

CGAP has chosen to focus its inclusive payment ecosystems work in nine countries that were selected based on criteria that included their readiness to begin the journey, the opportunity they presented for CGAP to engage significantly and add value, and their potential for learning things that would be useful to a global audience. The nine countries are India, Pakistan, Bangladesh, Myanmar, Ghana, Tanzania, Kenya, Uganda, and Rwanda.

FY2015 Highlights & Outputs

- Enabling regulations for digital financial services were adopted in Ghana and progress was made on new or updated regulations in Myanmar, Bangladesh, and Tanzania.
- Governments in India, Ghana, Bangladesh, and Pakistan joined the Better Than Cash Alliance and also took further steps to digitize government payments.
- **Infographic:** Digital financial services saw significant growth in outreach in Tanzania, Ghana, and Bangladesh.

To view an online version of this report containing links, videos, and downloads, visit cgap.org/ar2015.

Digital Finance Frontiers

Emerging digital payments platforms enable providers to deliver powerful financial solutions to poor people at scale.



Credit | Mohammad Moniruzzaman

Millions of poor people today access basic payments services through their mobile. Features such as graphic interfaces, interactive messaging, and social networking offer new, richer ways for providers to interact with customers and enable powerful value propositions. “Big data” and advanced data analytics are opening new ways to more effectively identify and attract new clients, tailor product offerings, identify opportunities to bundle and cross-sell other products, and manage credit risk.

Materializing this opportunity, however, requires significant experimentation. Providers need to effectively transition to an environment where the primary means to serve customers is through remote interactions. Although emerging technologies expand the potential for new solutions, developing new value propositions requires significant investment of effort and resources that providers often deprioritize given the uncertainty of outcomes. Innovators in the fintech space that offer promising tools often struggle to prove the value of their applications. As the digital ecosystem grows, solutions often require complex partnerships for data-sharing arrangements.



Credit | Jonathan Kalan

CGAP's Digital Finance Frontiers Initiative works with providers to expand the range of solutions that can be delivered on top of the "rails" of digital payments. It seeks to demonstrate through experimentation and real examples the potential of new technologies and new solutions to deliver more value to customers, in a sustainable and scalable way. It seeks to achieve this by:

- 1 Producing the evidence that shows the potential of Fintech innovations to support effective digital delivery models.
- 2 Demonstrating cases where digital innovations deliver powerful new value propositions, addressing key needs and pain points of poor people.
- 3 Facilitating provider and funder engagement with opportunities in the digital finance space.

We expect that the combination of these efforts will reduce the risk in research and development and collectively inspire providers to replicate early successes or experiment further to develop new solutions.

FY2015 Highlights & Outputs

- **Publication:** "Global Landscape of Digital Finance Innovations" (March 2015) characterizes the space where Fintech start-ups are exploring different aspects of mobile channels to enhance the value proposition of existing financial services.
- **Publication:** "The Potential of Digital Data: How Far Can It Advance Financial Inclusion?" (January 2015) discusses the use of digital data and the growing role it is playing in financial services in low-income countries.
- Established three partnerships to explore the potential of innovative applications of digital financial services technologies and new digital financial solutions to deliver more value to poor customers. Partners are BankKO/Philippines (drive savings and improved use of loans), Tigo Paraguay (drive higher take up and use of wallets from over-the-counter transactions), and Telenor Myanmar (test effect of graphic user interface on use).

To view an online version of this report containing links, videos, and downloads, visit cgap.org/ar2015.

Digital Finance Plus

Emerging digital finance innovations transform the way poor households have access to broader basic services such as electricity, clean water, and education.



Credit | Off:Grid Electric

The Digital Finance Plus Initiative seeks to illustrate how digital payment ecosystems emerging in different markets are opening up new solutions to long-standing development challenges. It aims to demonstrate how digital financial innovations can transform the delivery of essential services, such as clear water, electricity, and education for poor households, and how these new business models can help advance financial inclusion.



FY2015 Highlights & Outputs

- Ongoing research to better understand how the use of a range of appropriate and effective digital financial services can improve poor people’s access to essential services, starting with the energy sector.
- **Blog Series:** Launched and concluded partnerships with Angaza, Mobisol, and Off-Grid Electric in the energy sector. Lessons from partnership summarized in blog series.
- Launched partnership with Sarvajal in the water sector and completed study on poor Indians’ preferences to pay for water.
- Launched two partnerships in the education sector with Akengo and Tigo’s subsidiary Edume.
- **Study:** “Access to Energy via Digital Finance: Models for Innovation” (August 2014), a segmentation study on energy pay-as-you-go companies, which was widely cited and referenced; was complemented with a video, “How It Works: Digital Finance and Solar Energy”; and a series of blogs.
- **Blog Post:** “Digital Finance: Catalyzing New Energy Business Models.”

To view an online version of this report containing links, videos, and downloads, visit cgap.org/ar2015.

Global Policy Architecture

Recognizing the many ways that financial inclusion can benefit their countries and citizens, policy makers are adapting to the fast-changing picture that comes along with the innovations needed for real progress.



Credit | KM Asad

A strong political tailwind supports financial inclusion, with a growing number of governments making financial inclusion a policy priority alongside the traditional goals of financial stability and integrity and the protection of financial consumers. Country-level developments coincide with increasing mainstreaming of financial inclusion in the work of global financial standard-setting bodies (SSBs), in collaboration with the G20's Global Partnership for Financial Inclusion (GPI) (including CGAP and the other GPI Implementing Partners), the UN Secretary General's Special Advocate of Financial Inclusion for Development (UNSGSA), and many others. Important new actors such as the International Monetary Fund are joining CGAP and others in exploring how financial inclusion is linked with financial sector stability and integrity, as well as the protection of customers, and how all four policy objectives can be mutually reinforcing.

These are the developments that CGAP's Global Policy Architecture Initiative aims to stimulate and facilitate. But the picture is dynamic, and the innovation necessary for massive progress on financial inclusion—especially the digital finance revolution reaching scale in increasing numbers of countries—changes the nature, and often the level, of the risks with which policy makers must contend.



Jan Dhan Yojana: India's Push for Financial Inclusion

In August 2014, India's Prime Minister Narendra Modi announced a plan for comprehensive financial inclusion, which began with setting targets for opening new bank accounts. More than 18 million new bank accounts were opened during the first week of the plan, which uses the Aadhaar Unique Identification system and one straightforward form to connect previously unbanked people with the formal financial system. By the end of January, the program had opened 115 million accounts. But account opening is not an end in itself. To view a video on India's new financial inclusion plan, visit the online version of this report at cgap.org/ar2015.

FY2015 Highlights & Outputs

- Leveraged CGAP's longstanding policy engagement to build the trust, and reliance by the SSBs to contribute to their growing support for financial inclusion, as evidenced by their many new relevant work streams and activities.
- With the Office of the UNSGSA, led technical input for the October 2014 high-level meeting on financial inclusion among SSB Chairs and Secretaries General convened by the UNSGSA and the Chair of Basel Committee on Banking Supervision.
- With the Philippine central bank, led the finalization of the report "Range of practice in the regulation and supervision of institutions relevant to financial inclusion," published by the Basel Committee on Banking Supervision in January 2015.
- Contributed to an updated G20 Financial Inclusion Action Plan, approved in September 2014, which coincides closely with objectives of CGAP's work with the SSBs and other global bodies.
- Introduced the digital financial inclusion revolution to the world of global financial sector standard setting, leading the preparation of content for the 2nd GPFI Conference on SSBs and Financial Inclusion on the theme of the evolving digital financial inclusion landscape, hosted by the Financial Stability Institute at the Bank for International Settlements in Basel.

To view an online version of this report containing links, videos, and downloads, visit cgap.org/ar2015.



Credit | Forhad Kamaly

Protecting Customers

To have impact at the base of the pyramid, measures taken by regulators and formal financial service providers must be grounded in an understanding of the reality of low-income consumers' financial behaviors and experiences and the specific opportunities and risks they face in fast-moving markets.



Credit | Satyajit Das



Consumer protection rules and actions by providers to deliver responsible products in a responsible fashion are essential for financial inclusion. If effective, they can ensure transparency and fair treatment for current users of formal financial services; they can also instill overall confidence among potential consumers regarding formal financial services and providers. Most policy makers and regulators in emerging markets and developing economies now view effective consumer protection as an essential enabler of financial inclusion.

Important Objectives of Consumer Protection Include the Following:

1 Transparency

Consumers understand the prices, terms and conditions, and risks associated with use of financial services, so they can make good choices and use products to their benefit.

2 Fair Treatment

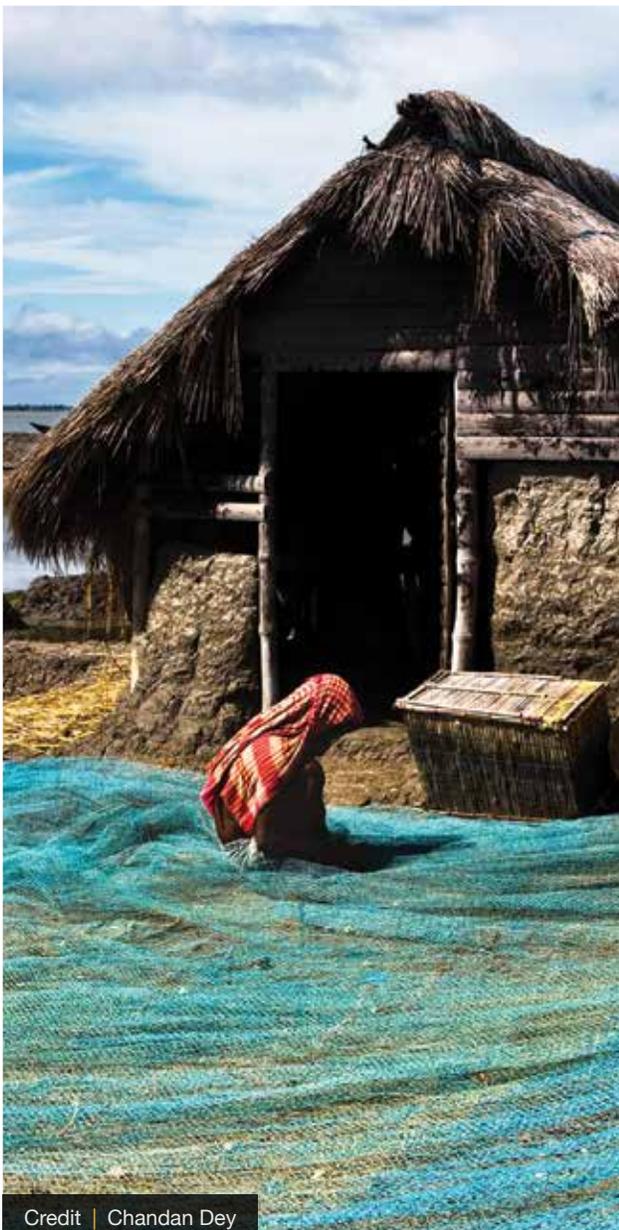
The financial products on offer are not deceptive or unsafe, and financial service providers ensure that product features, their policies, and the conduct of their employees and agents are ethical, not abusive, and respect consumers' rights.

3 Risk mitigation

Financial service providers take reasonable steps to identify, monitor, and mitigate customer risks such as fraud or inadequate handling of customer data, which evolve with innovations in products and business models and with the entry of new market actors.

4 Effective recourse

When customers have queries, complaints, or other problems, financial service providers have accessible and effective systems in place to address them.



Strategies and measures to achieve effective consumer protection and responsible financial markets fall into these main categories: Governments set out and enforce the rules of the game to safeguard financial consumers' welfare and ensure the above objectives through consumer protection regulation and supervision. Retail financial service providers contribute to responsible market development by offering appropriate services, respecting consumer rights, and observing business conduct and technical service standards. Consumers choose providers and products carefully, taking action to self-protect such as handling personal identification numbers carefully and meeting their obligations.

CGAP's Protecting Customers Initiative aims to develop effective, behaviorally informed consumer protection strategies that are practical and cost-effective. These strategies must respond to rapid innovations in financial inclusion products, channels, and business models.

FY2015 Highlights & Outputs

- **Publication:** “Doing Digital Finance Right: The Case for Stronger Mitigation of Customer Risks” (June 2015) (with associated CGAP-commissioned country cases on emerging consumer risks in 16 markets) was published and launched during a one-day public and private event. In an invitation-only workshop CGAP discussed with 45 practitioners the role and priorities of key stakeholder groups involved in digital financial services. Findings were also presented to partners and stakeholders in Kenya, China, Tanzania, and Brazil, as well as at the 2015 SEEP network annual conference.
- CGAP played a lead technical role in organizing the global Responsible Finance Forum on digital finance, which convened leading regulators, industry actors, consumer advocates, and researchers to identify practical next steps to address the consumer risks and action agenda identified in the Focus Note. To advance practice in specific risk areas, CGAP designed fraud mitigation training for providers and regulators and researched emerging good practices in digital recourse, credit delivery, and data privacy.
- **Publication:** Published a Technical Guide for Mystery Shopping in financial services that provides design guidance and templates based on CGAP’s work designing mystery shopping experiments for financial inclusion in more than a half dozen markets to date.
- Guided and supported the World Food Programme in Kenya in developing a “Toolkit for Behavioural Programme Monitoring in Digital Cash Transfer Programmes” to conduct ongoing monitoring of recipients’ experiences and payment service providers’ behavior. The toolkit includes a technical guideline for research design and implementation, sample tools, and two case studies where program adjustments have improved recipients’ experience and reduced the risks of fraud, discriminatory treatment, and insufficient data protection.

To view an online version of this report containing links, videos, and downloads, visit cgap.org/ar2015.

Guidance for Funders

Improving the responsibility and effectiveness of funding.



Credit | Wim Opmeer

Commitments from international funders to support financial inclusion remain strong, stabilizing at \$31 billion by the end of 2014 after years of steady growth. Donors—bilateral agencies, multilateral organizations, and foundations—typically support financial inclusion as a means to reach higher development objectives, such as economic development and poverty alleviation. Investors, including development finance institutions, institutional investors, and microfinance investment vehicles, expect both social and financial returns from their investments in financial service providers that serve the poor.

In recent decades, technical and financial assistance from international funders was a major force in creating strong microfinance institutions worldwide. Today, donors and investors are expanding their priorities and seeking opportunities to address the remaining barriers that prevent poor people from accessing and using financial services. Beyond building strong financial service providers, achieving financial inclusion requires developing financial services markets that really work for the poor; markets that are resilient, self-sustaining, and inclusive. Donors and investors can add significant value by catalyzing responsible market development, which begins by identifying market barriers that prevent financial systems from serving the poor.

CGAP is working with donors, investors, and implementation partners to distill and share emerging practices in how to facilitate and measure the development of inclusive financial markets.

Our work to achieve effective and responsible funding for financial inclusion focuses on the following:

- Supporting funders' ability to play a catalytic role in the development of inclusive financial markets. Facilitating peer learning on the evolving role of funders on frontier topics in financial inclusion. Supporting funders in strengthening and adjusting their measurement systems to better capture the impact of their market development interventions.
- Tracking and analyzing trends in funding for financial inclusion.

FY2015 Highlights & Outputs

Much of the work in FY2015 was targeted to developing “A Market Systems Approach to Financial Inclusion: Guidelines for Funders” (September 2015), which is the successor to the “Good Practice Guidelines for Funders of Microfinance” (2006) and provides lessons on how funders can facilitate the development of inclusive financial services markets. The publication was developed through a consultative process, including the following work:

- Consultation event with funders held in November 2014.
- An online discussion hosted on CGAP WorkSpace to solicit feedback from a broader audience on draft guidelines.
- Draft version disseminated at the FY2015 Council of Governor’s annual meeting.

To help funders and program implementers strengthen their measurement systems, CGAP is developing a Measuring Market Development Handbook. In FY2015, this work included:

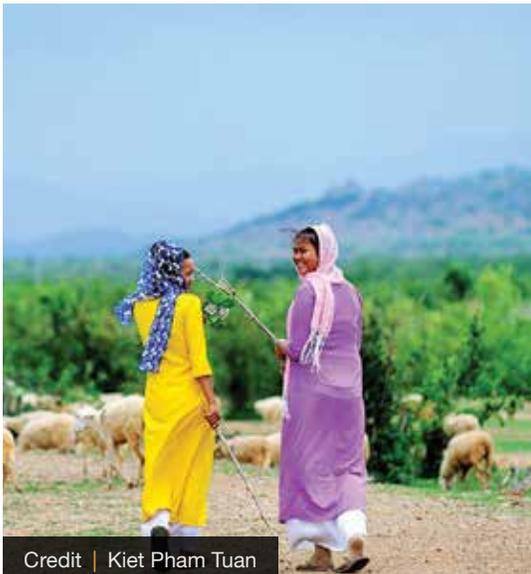
- Several learning events, including one with the World Bank, J-PAL, and IPA for the release of six new impact evaluations on microcredit and one with funders and measurement and evaluation experts.
- Quarterly working group calls with funders to inform the development of the Measurement Handbook.

Other work included the following:

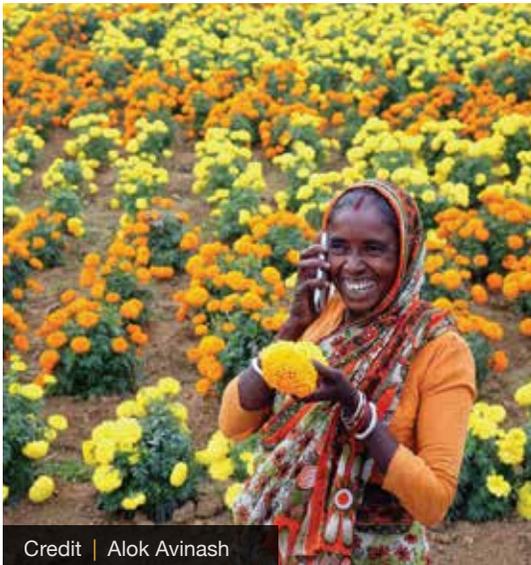
- **Infographic:** “Spotlight on International Funders’ Commitments to Financial Inclusion” (March 2015).
- **Publication:** “Facilitating the Market for Capacity Building Services.”
- **Website:** SmartAid Index collaboration page (invitation only).
- **Publication:** “Getting Smart about Financial Inclusion: Lessons from the SmartAid Index” (October 2014).
- **Blog Series:** Published three blogs on industry data gaps.
- **Article:** “Four Mobile Money Trends from the IMF Financial Access Survey.”
- **Article:** “Mapping Financial Inclusion with FSP Maps and MIX FINclusionLab.”
- **Article:** “10 Insights on Financial Inclusion from the 2014 Global Findex.”

To view an online version of this report containing links, videos, and downloads, visit cgap.org/ar2015.

CGAP's communications efforts make full use of a broad range of multimedia and other communications tools to advance knowledge and solutions that promote responsible, sustainable, and inclusive financial markets.



Credit | Kiet Pham Tuan



Credit | Alok Avinash

This targeted communications work helps shape the financial inclusion landscape in general and influences policy makers and others through consistent, clear messaging across CGAP's Initiatives.

The updated Microfinance Gateway website (MicrofinanceGateway.org) is a unique, multilingual portal where a community of users share knowledge and resources in Arabic, English, French, and Spanish. Building on the foundation of the Microfinance Gateway, significant progress was made in FY2015 on the new Gateway Academy. The Gateway Academy is an innovative learning project that will build capacity through offering both online and blended courses and will cultivate communities of practice focused on financial inclusion in sub-Saharan Africa. The Gateway Academy is designed to create a transformative impact on financial inclusion by increasing the reach of high-quality training content.

Throughout the year, cgap.org continued to feature high-quality and relevant videos, infographics, photo compositions, and other multimedia components to get our messaging across in a compelling way.

CGAP has an autonomous governance structure that consists of the Council of Governors (CG) of member donors and the Executive Committee (Excom). Housed within the World Bank Group, the Operational Team implements CGAP's activities.

The CG is CGAP's highest governing body and operates as a general assembly. It is responsible for setting CGAP's broad policies and strategic direction, providing inputs to the annual work plan and budget, adopting and implementing CGAP's consensus documents and guidelines, and determining the extension or disbandment of CGAP. The CG currently has more than 34 members; these include bilateral and multilateral development agencies, regional development banks, development finance institutions, and private foundations.

The Excom functions as CGAP's board and executive governing body. It has oversight of CGAP's activities and is responsible for providing strategic guidance to the Operational Team and approving the workplan and budget on behalf of the CG. The Excom is composed of representatives of the CG and leading industry practitioners.

The Operational Team, headed by CGAP's chief executive officer, is responsible for implementing CGAP's activities and programs. CGAP's main offices are in Washington, D.C., and Paris, France.



Credit | Kaushik Majumder

Executive Committee

- Greta Bull
Ex-officio, CGAP CEO
- Edvardas Bumsteinas
EIB
- Tilman Ehrbeck
Ex-officio, CGAP CEO
(term ended 31 December 2014)
- Anniken Esbensen
NORAD
- Margaret Grosh
World Bank
- Michael Hamp
IFAD
- Nick Hughes
M-Kopa
- Ann Miles
The MasterCard Foundation
- Daphne Motsepe
Former Chief Executive,
Unsecured Lending Absa
- Muna Sukhtian
Micro Fund for Women
- Carolina Trivelli
ASBANC
[Peruvian Bank Association]
- Kazuto Tsuji
Chair JICA

CGAP CG Member Donors

African Development Bank

- Stefan Nalletamby
and Mohamed Kalif
-

Agence Francaise De Development (AFD)

- Marie-Laure Garnier
 - Jean-Hugues De Font Reaulx
-

Agencia Española De Cooperación Internacional Para El Desarrollo (AECID)

- Juancho Izuzquiza
-

Asian Development Bank

- Noritaka Akamatsu
 - Arup Chatterjee
-

Australia

- Luana Cormac
- Rebecca Bryant
- Christine Groeger
- Clay O'Brien

Bill & Melinda Gates Foundation

- Rodger Voorhies
 - Jason Lamb
 - Sacha Polverini
-

Canada

- Joanna Richardson
 - Christian Da Silva
-

Citi Foundation

- Graham MacMillan
 - Dorothy Stuehmke
-

Denmark

- Jorn Olesen
-

European Bank for Reconstruction and Development (EBRD)

- Henry Russell
- Alfonso Vega Acosta

European Commission

- Monica Peiro-Vallejo
 - Michele Chiappini
-

European Investment Bank (EIB)

- Edvardas Bumsteinas
 - Perrine Pouget
-

FMO–Dutch Development Bank

- Frederik J. Van Den Bosch
 - Roel Vriezen
 - Bert Richly Brinkenber
-

The Ford Foundation

- Frank DeGiovanni
-

Germany

- Wolfgang Buecker
- Susanne Dorasil
- Marius Rauh

CGAP CG Member Donors (Continued)

India

- Rajeev Agarwal
 - Alok Pande
-

Inter-American Development Bank (IDB)/Multilateral Investment Fund (MIF)

- Tomas Miller
 - Sergio Navajas
-

International Finance Corporation (IFC)

- Martin Holtmann
 - Peer Stein
-

International Fund for Agricultural Development (IFAD)

- Michael Hamp
 - Francesco Rispoli
-

International Labour Organization (ILO)

- Craig Churchill
-

Italy

- Nicola Pisani
-

Japan

- Kazuto Tsuji
 - Yasuyo Okumoto
 - Junnosuke Iwano
-

KFW

- Annette Detken
- Carmen Colla

Luxembourg

- Michel Haas
-

The MasterCard Foundation

- Reeta Roy
 - Ann J. Miles
 - Mark Wensley
-

MetLife Foundation

- Evelyn J. Stark
 - Dennis White
-

Michael and Susan Dell Foundation

- Satyam Darmora
-

The Netherlands

- Christine Pirenne
 - Ben Simmes
 - Josien Sluijs
-

Norway

- Anniken Esbensen
 - Tom E. Eriksen
 - Solveig Verheyleweghen
-

Omidyar Network

- Arjuna Costa
 - Alex Lazarow
-

Sweden

- Ola Sahlen
- Ola Nilsmo

Switzerland

- Johann-Friedrich (Hans) Ramm
-

United Kingdom

- Gail Warrander
 - Mahesh Mishra
-

United Nations Capital Development Fund (UNCDF)/ UNDP

- Henri Dommel
 - John Tucker
-

USA

- Kathleen McGowan
 - Jennefer Sebstad
 - Priya Jaisinghani
-

World Bank

- Gloria Grandolini
- Fernanda Zavaleta
- Margaret Grosh
- Douglas Pearce

Staff

- Julia Abakaeva
Financial Sector Specialist
- Jamie Anderson
Financial Sector Specialist
- Silvia Baur
Financial Sector Analyst
- Greta Bull
Chief Executive Officer
- Camille Busette
Lead Financial Sector Specialist
- Gregory Chen
Senior Financial Sector Specialist
- Gerhard Coetzee
Senior Financial Sector Specialist
- Ann Courtmanche
Senior Program Assistant
- Emmanuel Crown
Web Developer
- Carla dal Cais
Online Communications Associate
- Tilman Ehrbeck
Chief Executive Officer
(until December 2014)
- Mayada El-Zoghbi
Senior Financial Sector Specialist
- Xavier Faz
Senior Financial Sector Specialist
- Evelyne Fraigneau
Executive Assistant
to the Director
- Zoë Gardner
Program Assistant
- Natalie Greenberg
Knowledge Management Officer
- Michel Hanouch
Financial Sector Specialist
- Luz Hurlburt
Resource Management Assistant
- Juan Carlos Izaguirre
Financial Sector Specialist
- Josephine Kibe
Operations Officer Gateway Academy
- Tanaya Kilara
Financial Sector Specialist
- Antonique Koning
Financial Sector Specialist
- Kabir Kumar
Senior Financial Sector Specialist
- Estelle Lahaye
Financial Sector Specialist
- Rudeewan Laohakittikul
Budget Officer
- Karel Leon
Information Officer
- Timothy Lyman
Lead Policy Officer
- Max Mattern
Financial Sector Analyst
- Rafe Mazer
Financial Sector Specialist
- Djibril Maguette Mbengue
Financial Sector Specialist
- Claudia McKay
Senior Financial Sector Specialist
- Kate McKee
Senior Adviser
- Aude de Montesquiou Fezensac
Financial Sector Specialist
- Marve Mulavu-Biggedi
Program Assistant
- Gayatri Murthy
Financial Sector Analyst
- Karina Nielsen
Financial Sector Specialist
- Wameek Noor
Financial Sector Analyst
- Anna Nunan
Senior Publishing Officer
- Parvati Patil
Program Analyst Gateway Academy
- Jake-Anthony Pauig
Program Assistant
- Nancy Pinto
Senior Operations Officer
- Susan Pleming
Senior Communications Officer
- Stephen Rasmussen
Lead Specialist
- Esther Rosen
Communications Officer
- Michael Rizzo
Digital Media Coordinator

Staff (Continued)

- Ousa Sananikone
Senior Private Sector
Development Specialist
- Barbara Scola
Financial Sector Specialist
- Erin Scronce
Communications Officer
- Renu Sehgal
Operations Analyst
- Yanina Seltzer
Financial Sector Specialist
- Thom Sinclair
Senior Operational Officer
Gateway Academy
- Matthew Soursourian
Financial Sector Analyst
- Lisa Stahl
Financial Sector Analyst
- Michael Tarazi
Senior Regulatory Specialist
- Melissa Victor
Financial Sector Analyst



Regional Representatives

- Nadine Chehade
Regional Representative for
Middle East and North Africa
- Eric Duflos
Regional Representative for
East Asia and Pacific
- Corinne Riquet
Regional Representative for
Francophone Africa
- Olga Tomilova
Regional Representative for
Europe and Central Asia

Financial Position Fiscal Year 2015

Projected Outcome

Projected Cash Balance
(End of Fiscal Year)

\$35,530
\$21,640 in 2014

Commitment Balance
(End of Fiscal Year)

\$7,437

Projected Expenses

Total Expenses
(Including Administrative Fee)

\$24,727
\$22,393 in 2014

Program Expenses

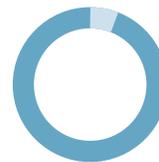
\$23,937
\$21,725 in 2014

Administrative Fee

\$790
\$668 in 2014

Presented in thousands.

**Program Expenses
vs. Administrative Fee**



■ Program Expenses
■ Administrative Fee

Projected Outcome

Presented in thousands.

Item	2014	2015
Cash Inflows		
Uncommitted cash balance at the beginning of fiscal year	25,274,618	21,640,455
Commitment Balance at the beginning of fiscal year	4,027,998	7,436,893
FY15 donor contributions received thru June 2015		29,849,612
FY14 donor contributions received thru June 2014	21,126,199	
Reflows from previously committed grants	314,902	
External Funded Output budget received	596,618	1,206,055
Interest Income	130,328	124,807
Total Inflows	51,470,663	60,257,822
Expenses by Expense Category		
Staff Salaries & Benefits	7,978,378	7,766,705
Field Assignment Benefits	139,692	376,353
Office occupancy and staff related IT support	972,151	1,245,396
Web related IT support	825,936	492,772
Consultant fees	3,200,217	4,181,101
Travel Expenses	2,453,309	2,061,442
Grants	255,285	500,000
Contractual / Firm services	5,557,395	7,153,187
Other operating expenses	343,359	159,919
Total Expenses	21,725,722	23,936,875
Administrative Fee	667,593	790,453
Total Expenses including Administrative Fee	22,393,315	24,727,328
Commitment balance at end of FY	7,436,893	
Projected Cash Balance at the end of fiscal year	21,640,455	35,530,494

Projected Expenses

Presented in thousands.

Item	2014	2015
Strategic Priorities / Initiatives		
Understanding Demand to Effectively Deliver for the Poor	2,403,551	2,801,899
Customers at the Center		2,629,163
Graduating the Poor		172,736
Innovating for Smallholder Families	872,730	2,385,788
Developing Robust Provider Ecosystems	7,980,699	6,859,056
Inclusive Payments Ecosystems		4,931,622
Digital Finance Frontiers		1,193,004
Digital Finance +		734,430
Building an Enabling and Protective Policy Environment Globally	1,963,403	2,891,393
Global Policy Architecture		1,546,672
Protecting Customers		1,344,721
Promoting Effective and Responsible Funding for Financial Inclusion	1,195,355	1,264,849
Guidance for Funders		706,080
Measuring Market Development		558,769
Regional Representatives	1,375,360	602,106
Knowledge Product Dissemination & Community Building	3,419,178	3,094,055
Communications & Publications, incl printing & translation		1,509,670
Microfinance Gateway		779,605
Information Technology Platform		694,767
Gateway Academy		110,013
Technology Program Wrap up		790,769
Cross Initiatives Work		319,263
Subtotal Strategic Priorities / Initiatives	19,210,276	21,009,178

Projected Expenses (Continued)

Presented in thousands.

Item	2014	2015
Corporate & Other		
Boulder Scholarships	109,000	93,400
CG / Excom Meeting	308,620	249,147
Staff Training & Retreats	184,370	125,879
Management, Administration, and Other	1,913,454	1,959,271
Grant to MIX		500,000
Subtotal Corporate & Other	2,515,444	2,927,697
Total Program Expenses	21,725,720	23,936,875
Administrative Fee	667,593	790,453
Grand Total including Administrative Fee	22,393,313	24,727,328

Donor Contributions for Fiscal Year 2015

Donor Contributions

Presented in thousands.

Total Contributions

\$24,064

\$23,404 in 2014

Core Contributions

\$17,223

\$18,544 in 2014

Designated Contributions

\$6,841

\$4,860 in 2014



- Core Contributions
- Designated Contributions

Donor Contributions

Presented in thousands.

- Contributions received
- Contributions outstanding under a signed administrative agreement
- Donor pledges conveyed, but not yet formalized in an administration agreement
- Projected contributions based on historical trends

Item	2014	2015	2016
Core Contributions			
World Bank	1,600 ●	1,600 ●	-
France / AFD / Treasury	520 ●	488 ●	477 ●
African Development Bank	120 ●	-	100 ●
Asian Development Bank	-	-	-
Australia	927 ●	848 ●	583 ●
Canada	273 ●	226 ●	226 ●
Citi Foundation	250 ●	250 ●	250 ●
Michael & Susan Dell Foundation	100 ●	175 ●	175 ●
Denmark	613 ●	654 ●	480 ●
EBRD	-	-	-
European Commission	-	565 ●	2,473 ●
European Investment Bank	272 ●	227 ●	212 ●
Finland	-	-	-
Ford Foundation	295 ●	100 ●	100 ●
Bill & Melinda Gates Foudation	6,500 ●	4,000 ●	3,221 ●
Germany / BMZ	544 ●	530 ●	318 ●
IADB / MIF	100 ●	100 ●	100 ●
IFAD	500 ●	500 ●	500 ●
IFC	450 ●	-	-
ILO	-	-	-
Italy	-	-	-

Donor Contributions (Continued)

Presented in thousands.

- Contributions received
- Contributions outstanding under a signed administrative agreement
- Donor pledges conveyed, but not yet formalized in an administration agreement
- Projected contributions based on historical trends

Item	2014	2015	2016
Core Contributions (Continued)			
Japan	300 ●	300 ●	300 ●
Luxembourg	541 ●	337 ●	443 ●
MasterCard Foundation	1,000 ●	1,000 ●	1,000 ●
MetLife Foundation	167 ●	167 ●	167 ●
Netherlands	1,000 ●	1,000 ●	1,000 ●
Norway	340 ●	340 ●	340 ●
Omidyar Network	300 ●	300 ●	300 ●
Spain	-	-	-
Sweden	978 ●	978 ●	780 ●
Switzerland	330 ●	265 ●	265 ●
UNCDF	125 ●	-	100 ●
United Kingdom	-	1,574 ●	1,570 ●
United States	400 ●	700 ●	500 ●
Total Core Contributions	18,544	17,223	15,980

Donor Contributions (Continued)

Presented in thousands.

- Contributions received
- Contributions outstanding under a signed administrative agreement
- Donor pledges conveyed, but not yet formalized in an administration agreement
- Projected contributions based on historical trends

Item	2014	2015	2016
Designated Contributions			
Australia	200 ●	-	-
Germany / GIZ	134 ●	-	-
MasterCard Foundation (Clients, Products & Branchless Banking)	2,391 ●	1,737 ●	-
MasterCard Foundation (Gateway Academy)	-	2,651 ●	1,431 ●
United Kingdom (Tech Program & EFO)	2,136 ●	966 ●	-
United Kingdom (HIFI)	-	1,488 ●	2,545 ●
Total Designated Contributions	4,860	6,841	3,976
Total Contributions	23,404	24,064	19,955



Consultative Group to Assist the Poor

1825 I Street, NW, 7th floor
Washington, DC 20006