Harnessing Inclusive Finance

A Path Toward Thriving and Sustainable Futures

CGAP | CGAP VII STRATEGY FY24-FY28

Harnessing Inclusive Finance: A Path Toward Thriving and Sustainable Futures

June 2023

Acknowledgements

The CGAP VII Strategy benefitted from the critical inputs and guidance of many individuals from across the financial inclusion community. In particular, we would like to thank our Strategy Advisory Group for their advice and insights: Amolo Ng'weno (BFA Global), Andrée Simon (FINCA Impact Finance), David Porteous (Integral: Governance Solutions), Dean Karlan (Northwestern University; USAID), Henry Gonzalez (Green Climate Fund), and Tilman Ehrbeck (Flourish Ventures), among others. We would also like to thank our peer reviewers, who participated in the World Bank Peer Review process and provided invaluable feedback: Adel Meer (International Finance Corporation), Bindu Ananth (Dvara Holdings), Gabi Afram (World Bank Group), Mark Napier (FSD Africa), and Tomasz Telma (International Finance Corporation), among others. CGAP also deeply appreciates the feedback from our member organizations and the support of our Executive Committee. This guidance helped shape the strategic direction for CGAP VII.

We would like to thank the Strategy Team who led the strategy development process under the guidance of CGAP's CEO, Sophie Sirtaine: Karina Broens Nielsen, Jessica Meckler, Jahda Swanborough, Arisha Salman, and Patrick Spaven. We would also like to thank the following CGAP colleagues: Simrin Makhija for editorial support and Tammy Mehdi for design support.

Finally, we would like to thank the entire CGAP team for their support and willingness to continue pushing the frontier of financial inclusion. We look forward to the insights, learning, and impact the next five years will bring.

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List of Abbreviations

agrifood	agricultural food [systems]
agriMSEs	agricultural micro and small enterprises
agtech	agricultural technology
AI	artificial intelligence
AML	anti-money laundering
API	application programming interface
BMGF	Bill & Melinda Gates Foundation
CBDC	central bank digital currency
CDD	customer due diligence
CFT	countering the financing of terrorism
CG	Council of Governors
CICO	cash-in cash-out
DFI	development finance institution
DFS	digital financial services
DIP	digitally included poor
ESG	environmental, social, and governance
ExCom	Executive Committee
FCV	fragility, conflict, and violence
FMO	Financierings-Maatschappij voor Ontwikkelingslanden N.V.
FSP	financial services provider
FY	fiscal year
GIZ	Gesellschaft für Internationale Zusammenarbeit
GRID	green, resilient, and inclusive development
G2P	government-to-person
ID4D	World Bank Group's Identification for Development Initiative
IEP	Institute for Economics and Peace
IFC	International Finance Corporation
IFPRI	International Food Policy Research Institute
IIED	International Institute for Environment and Development
IMF	International Monetary Fund
IMM	impact measurement and management
IPA	Innovation for Poverty Action
J-PAL	Abdul Latif Jameel Poverty Action Lab
KfW	Kreditanstalt für Wiederaufbau
LAC	Latin America and the Caribbean
LMICs	low- and middle-income countries
LT	Leadership Team
MENA	Middle East and North Africa
MFI	microfinance institution
MIN	microinsurance network
MIV	microfinance investment vehicle
MSEs	micro and small enterprises
MSMEs	micro, small, and medium enterprises
M&E	monitoring and evaluation
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PAIF	private asset impact fund
PAYGo	pay-as-you-go
Proparco	Société de promotion et de participation pour la coopération économique
R&D	research and development
SACCO	savings and credit cooperative organization
SDGs	Sustainable Development Goals
SMEs	small- and medium-sized enterprises
TOA	theory of action
TOC	theory of change
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNSGSA	United Nations Secretary-General's Special Advocate for Inclusive Finance for Development
USAID	United States Agency for International Development
VCM	voluntary carbon market
WAEMU	West African Economic and Monetary Union
WFP	World Food Programme
WIRAL	women in rural and agricultural livelihoods

Key Terms and Definitions

Breadth of financial inclusion refers to the number of people and micro and small enterprises (MSEs) who have access to and use a financial account to make or receive digital payments that responsibly meet their needs.

Depth of financial inclusion refers to the extent to which people and MSEs have access to an expanded suite of responsible financial products and services (e.g., savings, credit, insurance) that meets their needs.

The **digital economy** refers to the economic activity that takes place using the internet, mobile devices, software, and other digital technologies. Digital economies are driven by digital technology and are characterized by the production, distribution, and consumption of goods and services through digital channels, including the internet, mobile devices, and other digital communications systems. The foundations of a digital economy include digital public infrastructure and platforms, digital payments and services, digital businesses, and digital skills.

Financial authorities refers to policymakers, legislators, regulators, and/or supervisors.

Financial health is the extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future.[1]

Financial inclusion describes the state where all individuals and enterprises have access to and are empowered to use affordable, responsible financial services—such as payments, savings, credit, and insurance—that meet their needs.

Green, resilient, and inclusive development (GRID) is a framework defined by the World Bank Group that refers to work that not only supports crisis recovery but also helps developing economies "recover in ways that are more sustainable, more inclusive and more resilient to future shocks to avoid long-term loss for short-term gain."[2]

Higher-level development outcomes are outcomes that occur over a long period of time and are typically the cumulative effect of multiple factors, some of which may be attributed to development interventions.[3]

An **inclusive data ecosystem** is a complex system of relationships and interactions between various elements—such as public and private sector actors, infrastructure, rules, capabilities, and technology—where data related to low-income individuals is generated, processed, analyzed, shared, and used in the design and delivery of inclusive and responsible financial services to those individuals.

Inclusive development, as per the GRID framework, refers to "solutions that do not leave anyone behind and reduce disparities in opportunities and outcomes."[4]

Inclusive finance refers to the responsible provision of financial services that are intentionally designed to contribute to sustainable development for all, including disadvantaged or underserved groups such as low-income households, women, smallholders, and MSEs.

Open finance refers to the process that allows the exchange of consumer data, with consumer consent, between banks and nonbank financial institutions (e.g., mobile financial services providers [FSPs]) and authorized third-party providers.

Resilience is the ability of individuals and households to reduce the risk of, mitigate, cope with, and recover from various shocks, stresses, and life cycle events in order to minimize any reduction in short-term or long-term well-being.

A **responsible and inclusive financial ecosystem** refers to the entire system of policies, regulations, standards, norms, data systems, funding, payment infrastructure, distribution networks, capacity building, and other components that work together to govern, support, shape, inform, and enable FSPs to meet customer demands in a responsible way that protects and ensures positive customer outcomes.

Social norms are rules and behaviors that determine social behavior, expectations, and conduct. These informal rules determine actions, perceptions, and expectations at the individual, household, and community level and influence household roles, livelihood responsibilities, and public life. Norms often influence official laws and rules, such as when national laws limit the type of property women can own. Social norms are influenced by belief systems, economic contexts, and the perceived rewards and sanctions for adhering to or disobeying prevailing norms.[5]

Utility refers to the practical benefits and positive outcomes experienced by poor, vulnerable, and underserved people and MSEs.

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[1] This strategy adopts the UNSGSA Financial Health Working Group definition.
[2] World Bank. October 2021. Green, Resilient, and Inclusive Development. Washington, D.C.: World Bank.
[3] For the CGAP VII Strategy, our use of the term "higher-level outcome" aligns with World Bank Group Trust Fund guidance.
[4] Ibid
[5] Antonique Koning, Joanna Ledgerwood, and Nisha Singh. 2021. Addressing Gender Norms to Increase Financial Inclusion: Designing for Impact. Technical Guide. Washington, D.C.: CGAP.

Executive Summary

CGAP envisages responsible and inclusive financial ecosystems that enable a green, resilient, and equitable world for all—a vision that is necessary in the current challenging global context. In recent years, the world has faced many unprecedented shocks and stresses that have exacerbated existing development challenges—all of which have disproportionate impacts on the most vulnerable, especially women and girls. People living in poverty constantly juggle an evolving set of risks and crises in their daily lives. However, the additional challenges posed by the COVID-19 pandemic, inflation, climate change, conflicts, and other shocks have globally intensified poverty and inequality. The World Bank now projects that 7 percent of the world's population—roughly 574 million people—will remain in extreme poverty in 2030. The World Economic Forum predicts that the timeline to close the global gender gap[6] has increased by a full generation (from 99.5 years to 135.6 years).

Despite the challenging global context, positive trends in the advancement of digital economies and digital financial inclusion, and the increase of socially minded investments offer hope for a green, resilient, and inclusive future. For example, the COVID-19 pandemic was a catalyst for increased digitization in essential sectors, including financial services. In fact, the Global Findex found that the share of adults making or receiving digital payments in developing economies grew from 35 percent in 2014 to 57 percent in 2021. Simultaneously, donor and investor support for financial inclusion continued to increase. CGAP's Cross-Border Funder Survey shows that total commitments toward financial inclusion more than doubled from public and private funders since 2015, and the share of private funding grew from 23 percent in 2015 to 34 percent in 2021.[7] In parallel, environmental, social, and governance (ESG) investment was an estimated US$35 trillion in 2020—a 15 percent growth in total assets under management in two years.[8] Although the vast majority of ESG investing is incorporated in developed markets, this indicates growing investor interest in ESG investing, which is especially timely as public finances have become heavily constrained in many countries.

Further, innovations in digital financial services (DFS) are contributing to redefining the inclusive financial ecosystem. Today, the complexity and disruptive potential of innovation is unprecedented compared to earlier disruptions such as the emergence of microfinance and mobile money. Digital technologies and new business models are fundamentally changing the way financial services are produced, distributed, and consumed. For instance, the modularization of financial value chains and open banking combined with rapidly rising investment in fintech, maturing start-up ecosystems, and the development of regulatory frameworks that create level playing fields among financial players have the potential to provide a new paradigm for inclusive finance. While such innovation and growth can bring increased risks to customers and pose challenges for financial sector regulation, it also has the potential to further advance financial products and services to better meet the needs of poor, vulnerable, and underserved people and micro and small enterprises (MSEs).

In this evolving context, financial inclusion continues to play a critical role as an enabler for broader development outcomes. Research has shown that financial services, including savings, remittances and other money transfers, insurance, and in some cases, credit, can help people prosper as well as anticipate, absorb, or recover from shocks, including climate shocks, by harnessing economic opportunities and building resilience. Further, DFS make it easier for people to access essential services and economic opportunities, which, in turn, can make a crucial difference to their resilience and prosperity.

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[6] As measured by economic participation and opportunity, educational attainment, health and survival, and political empowerment.
[7] Molly Tolzmann. 2023. CGAP Funder Survey 2021: Trends in International Funding for Financial Inclusion. Focus Note. Washington, D.C.: CGAP.
[8] Global Sustainable Investment Alliance Investment Review 2020.

To maximize the potential of financial inclusion to contribute to higher-level development outcomes, efforts are needed across multiple dimensions of financial inclusion: the breadth of financial inclusion (i.e., more people and enterprises have access to financial accounts and use them to make or receive digital payments); the depth of financial inclusion (i.e., people and enterprises have access to a suite of responsible financial products and services that responsibly meet their needs); and the utility of financial inclusion (i.e., the practical benefits and positive outcomes that financial products and services contribute to). The five-year strategy (FY24–FY28) laid out in this document, called CGAP VII, outlines CGAP's efforts in this regard. In particular, the CGAP VII work program is designed to explore new and emerging aspects of financial inclusion breadth, depth, and utility.

Figure ES1. CGAP will pursue its vision by working toward seven outcome areas during CGAP VII

CGAP's strategic objective for FY24–FY28 is to contribute to responsible and inclusive financial ecosystems by elevating the focus of financial inclusion to development outcomes. To achieve this, we will focus on contributing to seven outcome areas through our work program (see Figure ES1). Three of these outcome areas (blue boxes) encapsulate the higher-level development outcomes we seek to contribute to. There are also three foundational outcome areas (green boxes) and an intermediary outcome area (turquoise box). Delivering our strategic objective will help us realize our longer-term vision of responsible and inclusive financial ecosystems that enable a green, resilient, and equitable world for all.

The CGAP VII Strategy and its vision for the financial inclusion industry were developed through a deep consultative process that included our members and many other stakeholders from the financial inclusion community. By working collaboratively with public, private, and nonprofit sector stakeholders to develop the strategy, we are confident it reflects the key direction of travel for financial inclusion in the coming years.

CGAP is well placed to implement this ambitious strategy. As a global think tank and stakeholder consortium housed within the World Bank Group and a generator of global public goods, CGAP has a long track record of nearly 30 years working at the frontier of inclusive finance to test solutions, spark innovation, generate evidence, and share insights. We work with actors across the public, private, and nonprofit sectors[9] to share knowledge and insights to scale solutions that make financial ecosystems meet the needs of poor, vulnerable, and underserved people and MSEs, including by advancing women’s economic empowerment.

To effectively implement the CGAP VII Strategy, we will enhance our operations by placing an even stronger focus on partnerships, impact, knowledge management, and monitoring and evaluation (M&E). These operational changes will address recommendations from the CGAP VI Independent Strategic Evaluation and include new partnership and membership models, a market intelligence function, an internal knowledge management ecosystem, new processes to squarely focus on maximizing our influence and impact, and other initiatives. Further, as a stakeholder consortium with more than 30 private and public members, we will continue to leverage our members to achieve our objectives.

This strategy document lays out the global context we are operating in and how we intend to achieve our vision. Section 1 lays out the increasing global challenges and opportunities. Section 2 outlines the progress made in financial inclusion thus far and the gaps that remain, as well as financial inclusion’s role as an enabler for high-level development outcomes. Section 3 articulates CGAP’s value add and comparative advantage. Section 4 details our proposed work plan. Section 5 explains how we intend to operationalize this work over the next five years. Finally, Section 6 demonstrates our dedication to being an impact-driven learning organization with strong M&E processes.

The coming years offer an opportunity to help advance responsible and inclusive financial ecosystems that enable a green, resilient, and equitable world for all. To maintain a highly relevant work program, we remain ready to strategically pivot our work to address new concerns and needs that may arise as the world continues to respond to, and recover from, unprecedented challenges. We will work with others—within and outside the financial inclusion industry—to achieve impact at scale. We look forward to working closely with stakeholders across the industry, especially our members, to identify and advance innovative solutions and practices that help achieve meaningful impact in the lives of poor and vulnerable populations through financial services. And we remain committed to learning together as we do so.

[9] This includes different FSPs (e.g., banks, mobile money issuers, MFIs, SACCOs, fintechs), policymakers, regulators, civil society organizations, donors and investors—especially our members, who represent leading bilateral organizations, multilateral organizations, development finance institutions, and private foundations from across the world—standard-setting bodies, capacity building organizations, industry associations, and more.

1

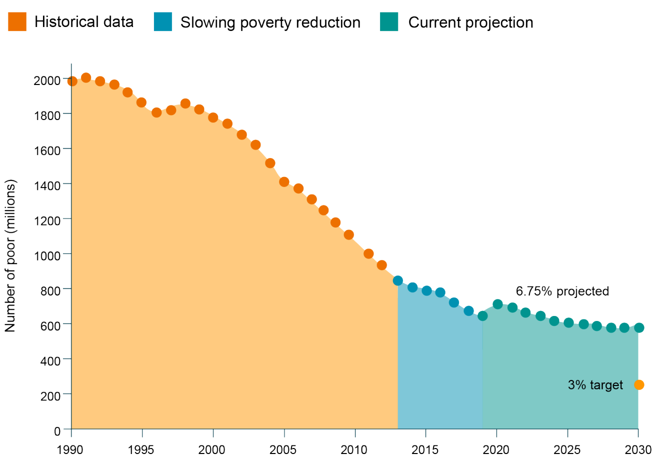
The New Global Context: Increased Vulnerabilities but Also New Opportunities

People living in poverty constantly juggle an evolving set of risks and crises in their daily lives. However, in recent years this balancing act has been further upended by a series of unprecedented shocks and stresses, including the COVID-19 pandemic, escalating energy and food prices, supply chain disruptions fueled by the war in Ukraine and other conflicts, food insecurity, climate change, and decreasing global biodiversity. These shocks affect not only individuals but entire economies and societies. For example, the Institute for Economics and Peace (IEP) estimates that in 2050, 3.4 billion people—almost 35 percent of the world's population—will live in countries faced with catastrophic ecological threats, compared to 2 billion in 2022.[10]

[10] Institute for Economics and Peace (IEP). October 2022. Ecological Threat Report 2022: Analysing Ecological Threats, Resilience & Peace. Sydney: IEP.

These crises have converged and compounded, hitting the poorest countries, communities, and people hardest and thus intensifying already severe global inequalities (see Figures 1 and 2). The COVID-19 pandemic triggered significant reversals in development gains and contributed to the largest setback in the fight against poverty since global monitoring started in the early 1990s. In fact, 2020 and 2022 were the worst years for poverty trends in the past two decades. Recent crises have also disproportionately impacted women and girls, with the World Economic Forum predicting that the timeline to close the global gender gap has increased by a full generation (from 99.5 years to 135.6 years).[11]

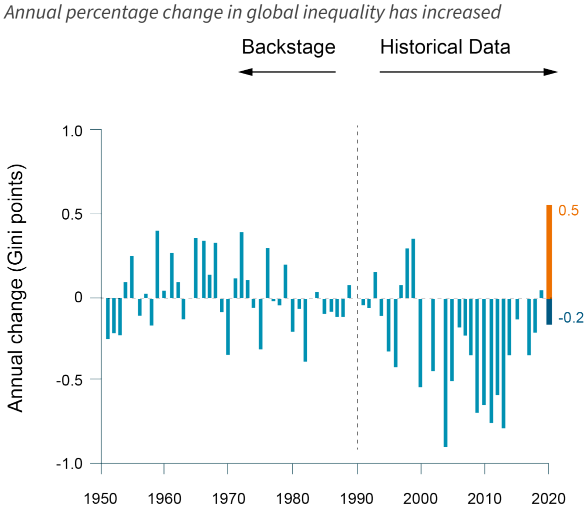
Figure 1. Progress in poverty reduction has stalled



Sources: World Bank estimates based on Mahler, Yonzan, and Lakner, forthcoming; World Bank, Poverty and Inequality Platform, https://pip.worldbank.org; World Bank, Global Economic Prospects database, https://databank.worldbank.org/source/global-economic-prospects

Figure 2. Inequality trends were reversed in 2020

Annual percentage change in global inequality has increased

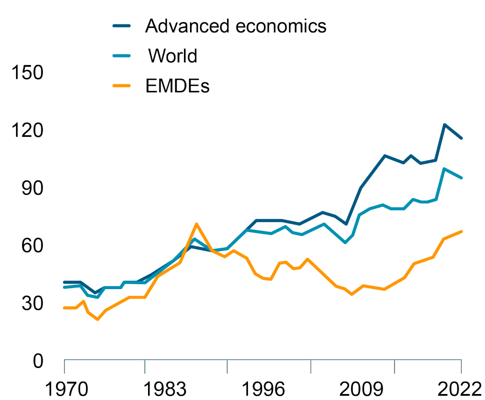


Further, more developing countries (90 out of 122 low- and middle-income countries [LMICs]) have entered into economic recession than at any other time since the Second World War.[12] The World Bank now projects that 7 percent of the world's population—roughly 574 million people—will remain in extreme poverty in 2030. This leaves the world short of the global goal, adopted in 2015, to reduce extreme poverty to 3 percent by 2030.[13]

Meanwhile, record high debt levels constrain the ability of countries to respond to these challenges, with total external debt of low-income countries growing from 17 percent of gross national income in 2011 to 48.5 percent in 2021 (see Figure 3). For developing countries, overall debt levels have increased since 2010, with around 60 percent of the world's poorest countries either in debt distress or at risk of it. While trends from the World Bank also show that government debt (in percentage of GDP) is starting to decrease for high-income countries, debt in emerging markets is still trending upward.[14]

Figure 3. Government debt has steadily increased

Percent of GDP



Despite recent shocks and reversals, there are two positive trends that, under certain conditions, offer hope for a greener, more resilient, and inclusive future. The first trend is continued growth in digital economies in most countries, including the digitization of, and unprecedented innovation in, financial services. The second is a significant increase in socially and environmentally minded investments, such as ESG funding and impact investments, including inclusive finance. Together these trends could support progress at scale in financial inclusion, which can be a powerful enabler for a greener, more resilient, and inclusive future.

[11] World Economic Forum. March 2021. Gender Gap Report; gender gap measured along the four dimensions of economic participation and opportunity, educational attainment, health and survival, and political empowerment.
[12] OECD UNDP. 2021. Scoping Note for the G20 Development Working Group.
[13] World Bank estimates are based on the forthcoming Mahler, Yonzan, and Lakner; World Bank Poverty and Inequality Platform; and the World Bank Global Economic Prospects DataBank.
[14] World Bank. 2022. International Debt Report 2022: Updated International Debt Statistics. Washington, D.C.: World Bank Group.

1.1 Digital financial inclusion: A positive force for development

When managed responsibly, the digital economy can be a positive force for development. It can help expand opportunities for people living in poverty by providing access to information and markets. The digital economy brings about new opportunities to sell and buy through e-commerce and to leverage on-demand or gig work. Digital solutions have the potential to enhance the quality of, and access to, government services, including social protection programs. They can also reduce opportunities for corruption, foster entrepreneurship, contribute to economic growth, and expand financial inclusion.[15]

The pandemic instigated notable growth in the digitization of traditionally analog sectors[16] **and the use of digital tools—albeit not yet everywhere nor for everyone.** During the pandemic, emerging markets saw data traffic increase from 25 percent to 50 percent, with the total number of internet users globally increasing by 800 million. Both the public and private sectors leveraged the digital economy to provide critical services such as expanded social protection programs, DFS, and educational programs. The heightened focus on the digital economy accelerated innovations in cloud computing solutions, digital platforms, DFS, and more. However, despite the progress seen during the pandemic, gaps persist in digital access and use by gender and location (e.g., in developing countries, men are 52 percent more likely to have internet access than women) and will need to be addressed to drive a more inclusive future.

The progress in digital economies worldwide came about in conjunction with rapid growth in DFS for poor, vulnerable, and underserved people. The 2021 Global Findex indicated, for instance, that the share of adults making or receiving digital payments in developing economies grew from 35 percent in 2014 to 57 percent in 2021.[17] There are now 1.6 billion registered mobile money accounts globally, a 13 percent increase from 2021 to 2022.[18] There has also been a rapid opening of government-to-person (G2P) accounts, and the Global Findex found that roughly 865 million individuals (about half of whom were women) opened their first account to receive money from the government.[19]

Disruptive innovation and policy changes are further accelerating this growth. Digital technologies, new business models, and regulatory changes are fundamentally changing the way financial services are produced, distributed, and consumed. In particular, there are key developments that contribute to the modularization of financial value chains.[20] Rapidly rising investment in digital public infrastructure, including in interoperable payment systems with instant settlement and third-party initiation, complemented by changes to regulatory frameworks that foster innovation and competition (e.g., regulatory sandboxes, open finance frameworks), is creating a level playing

[15] Development Committee. April 2022. Digitization and Development. Washington, D.C.: World Bank Group.
[16] Such as healthcare, education, financial services, agriculture, and more.
[17] The Global Findex Database.
[18] The GSM Association (commonly referred to as GSMA) is an industry organization that represents the interests of mobile network operators worldwide.
[19] The Global Findex Database.
[20] Zetterli, Peter. November 2021. The Great Unbundling: How Technology Is Making Financial Services Modular and What It Means for Inclusion. Slide Deck. Washington, D.C.: CGAP.

field among financial players. Additionally, maturing start-up ecosystems are supporting start-up and fintech growth. These developments, in turn, provide a new paradigm for inclusive finance where a variety of actors, including digital and traditional banks, fintechs, and platforms, create partnerships to provide cheaper, more tailored financial services that leverage the growing digital data trails of customers.

If managed responsibly and inclusively, the rapid growth and transformation of DFS could lead to progress at scale in financial inclusion. Expanded access to DFS offers a unique opportunity to address existing structural constraints to financial inclusion, especially those related to costs and asymmetry of information. It also presents an opportunity to design financial products and services better suited to the needs of poor, vulnerable, and underserved people and MSEs, thereby paving the way toward more inclusive and resilient economies. This is particularly pertinent in light of climate change, as DFS can also help climate financing reach low-income segments.[21]

However, to actualize the promise of these opportunities it is critical to address the potential risks DFS can pose to customers. CGAP's research has identified growing risks associated with the use of DFS, especially cyber-attacks, fraud, and data misuse, as well as predatory lending and over-indebtedness. CGAP found that in 2019–2020, there was a 38 percent increase in the share of mobile app transactions but an 83 percent increase in the share of fraudulent mobile app transactions.[22] The 2021 Global Findex also revealed that one in five customers paid unexpected fees when they received their wages digitally.[23] This affects individuals' trust in financial institutions, which remains a significant challenge given that almost one in four unbanked adults do not trust the financial system and may thus revert to cash-based services.[24] While efforts have been made to reduce risks, challenges persist in consumer protection given the growing ubiquity of DFS, the rapid transformation of financial systems, the challenges regulators face in keeping up with this rapidly changing environment, and low digital literacy among low-income consumers—women in particular.

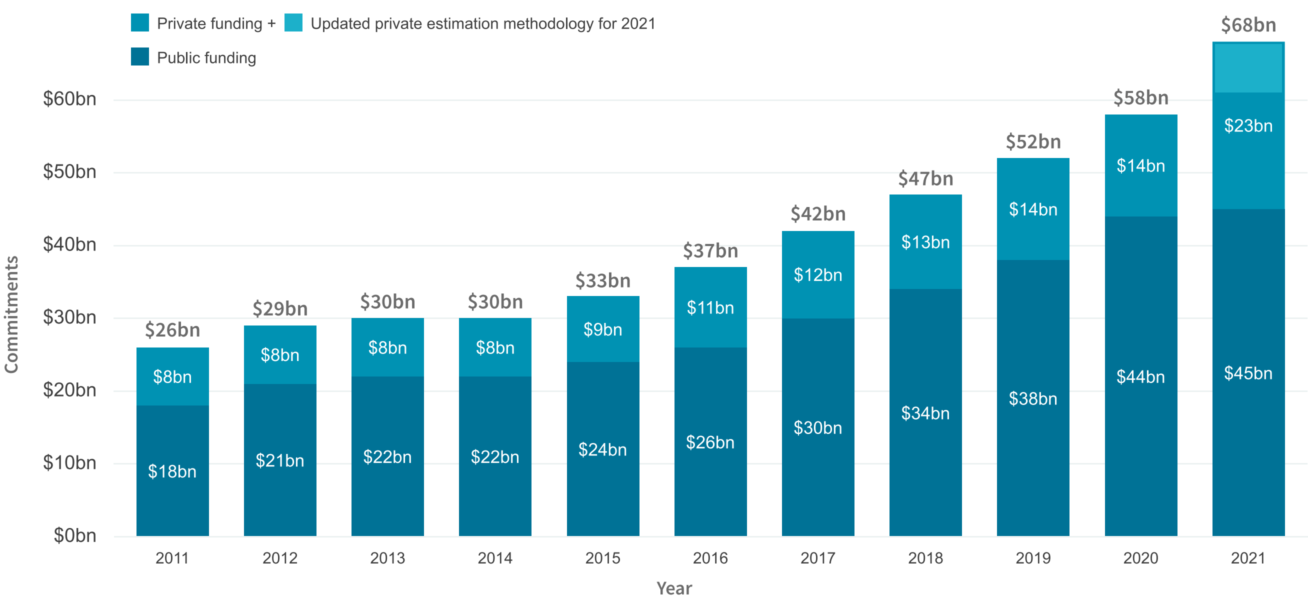
[21] International Institute for Environment and Development (IIED), 2021; United Nations Environment Programme (UNEP), 2019. Digital Finance and Citizen Action in Financing the Future of Climate-Smart Infrastructure.
[22] Chalwe-Mulenga, Majorie, Eric Duflos, and Gerhard Coetzee. 2022. The Evolution of the Nature and Scale of DFS Consumer Risks: A Review of Evidence. Slide Deck. Washington, D.C.: CGAP.
[23] The Global Findex Database.
[24] Eric Duflos and Juan Carlos Izaguirre. October 2022. Reading Findex with a Customer Protection Lens. Blog. Washington, D.C.: CGAP.

1.2 Increasing socially and environmentally-minded investment in inclusive finance

The second positive trend is the rapid growth in global demand for, and supply of, ESG and impact investments, brought about by increased appreciation of climate and other environmental and social challenges. ESG investment was estimated at US$35 trillion in 2020, that is, 15 percent growth in two years.[25] Further, impact investment from private and public actors was estimated at US$1.2 trillion by the end of 2021.[26] These sources have the potential to help close the annual Sustainable Development Goals (SDGs) financing gap, which rose to an estimated US$4.2 trillion in 2020 due to the COVID-19 crisis.[27] They also provide a vital complement to official development assistance (ODA) funds, which totaled US$186 billion in 2021.[28]

CGAP's Cross-Border Funder Survey estimates that about US$68 billion supported financial inclusion in 2021, with a growing share coming from private funding. In total, commitments toward financial inclusion more than doubled since 2015 and the share of private funding grew from 23 percent in 2015 to 34 percent in 2021 (see Figure 4). While commitments by public funders grew rapidly during the pandemic,

Figure 4. CGAP's Cross-Border Funder Survey estimated about US$68 billion in financial inclusion support in 2021, with a growing share coming from private funding



[25] Global Sustainable Investment Alliance Investment Review 2020.
[26] GIIN. GIINSight: Sizing the Impact Investing Market 2022.
[27] OECD. November 2020. Global Outlook on Financing for Sustainable Development 2021.
[28] OECD. DAC1: Total Official and Private Flows. ODA data does not separate out ESG investments.

they remained a relatively flat US$45 billion in 2021. By contrast, at US$23 billion, private funding showed continued steady growth of at least 14 percent from 2020.[29] This marked increase mirrors growth seen in the impact fund space, with Tameo Impact Fund Solutions reporting 17 percent growth in private asset impact funds (PAIFs) across all sectors in 2021.[30]

There is, however, considerable room to extend the reach and improve the impact of ESG and impact investing in inclusive finance. While the flow of ESG and impact investments has mushroomed in the past few years, it is not without its critics. Much ESG labeling is controversial; accusations of "greenwashing" and "impact washing" point to the need for better assurance frameworks and impact measurement as wide variations exist in measuring the impact of both ESG and impact investing, including inclusive finance. There is also the risk that ESG targets are not achieved,[31] and some view the ESG framework primarily as a risk mitigation tool, which underplays its potential role in driving investments toward impact. Furthermore, while most impact investing—particularly from development finance institutions (DFIs)—targets LMICs, relatively little private ESG finance flows to them. For example, the University of Cape Town estimated ESG investment of US$337 billion in Anglophone Sub-Saharan Africa in 2020,[32] accounting for only 1 percent of the total US$35 trillion ESG investment pool. This also illustrates that investors still do not feel comfortable entering riskier markets, that they are unable to find sufficient investment opportunities, and/or that local firms are unable to tap into global ESG pools. As such, public–private partnerships (perhaps even public–private–philanthropic partnerships) and blended finance solutions are needed to address foundational barriers and to help channel more ESG and impact financing toward the most promising inclusive finance solutions.

While the world faces a challenging path ahead, responsible and inclusive financial sector development, bolstered by digital innovation and supported by ESG funding and impact investment, can be a critical driver in overcoming global challenges and driving development gains. While the actualization at scale of the two positive trends remains difficult, we know that financial inclusion is an essential steppingstone to enter and help build digital economies, which enables development gains. We also anticipate that investments in inclusive finance, including ESG and impact investing, can support greater and more effective financial inclusion. This, in turn, can contribute to green, resilient, and inclusive digital economies and societies worldwide (see Section 2.2).

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[29] Molly Tolzmann. 2023. CGAP Funder Survey 2021: Trends in International Funding for Financial Inclusion. Focus Note. Washington, D.C.: CGAP.
[30] Anne Estoppey and Ramkumar Narayanan. December 2022. Private Asset Impact Fund Report 2022. Geneva: Tameo Impact Fund Solutions.
[31] Edelman Trust Barometer's Special Report: Institutional investors in 2021 showed that nearly three out of four institutional investors do not trust companies to achieve their commitments to ESG, sustainability, and diversity, equity, and inclusion (DEI). Lucy Pérez, Dame Vivian Hunt, Hamid Samandari, Robin Nuttall, and Krysta Biniek. August 2022. Does ESG really matter – and why? McKinsey & Company.
[32] RisCura. 2021. The African Investing for Impact Barometer (AIFIB), Edition 06.

2

Leveraging Inclusive Finance for Greener, More Resilient, and Inclusive Development

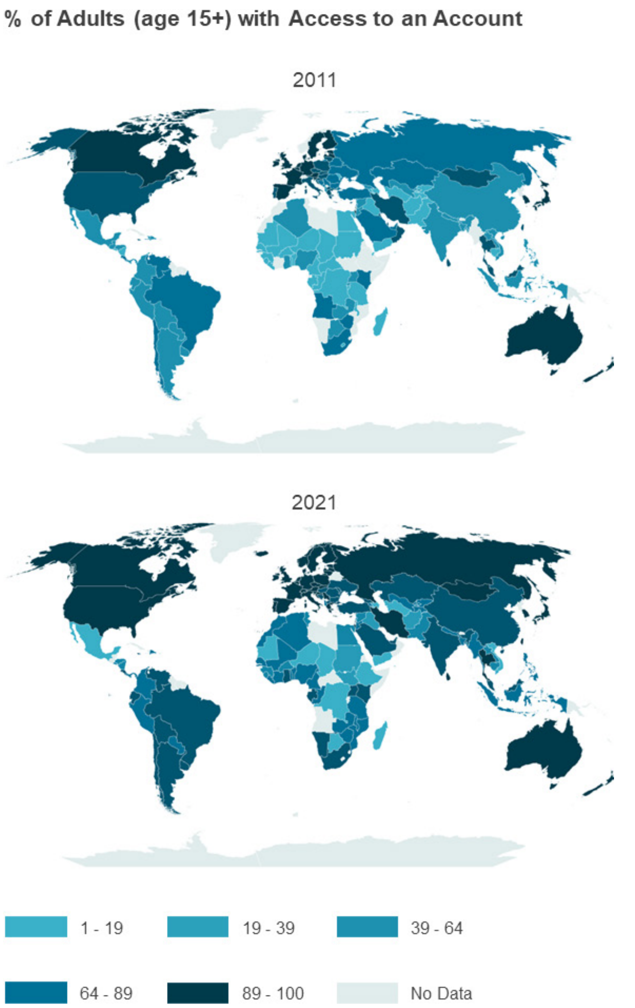
2.1 Financial inclusion continues to advance but many segments remain excluded or underserved

The 2021 Global Findex shows remarkably positive trends in certain areas of financial inclusion (e.g., account access), largely driven by the rapid growth in DFS (see Box 1). In particular, the breadth of financial inclusion (i.e., people and enterprises have access to financial accounts and use them to make or receive digital payments) has shown incredible growth in recent years. Seventy-six percent of the global adult population now owns an account—a 50 percent increase over the past decade (see Figure 5). This growth has also reached developing countries, where 71 percent of the adult population now owns an account—a 30 percentage point increase from 2014.[33] A driving force behind the growth in financial access has been DFS, including mobile money, which has been further stimulated by the vast expansion of digital G2P onboarding. Moreover, as Section 1 referenced, the use of these types of accounts to make or receive digital payments has increased from 35 percent in 2014 to 57 percent in 2021.[34]

Box 1. Financial inclusion definition

> In this strategy document, "financial inclusion" means that all individuals and enterprises have access to, and are empowered to use, affordable, responsible financial services—such as payments, savings, credit, and insurance—that meet their needs.

Figure 5. Account access has significantly increased between 2011 and 2021, although with wide regional and country-level variations



Data Source: The Global Findex Database 2011 and 2021

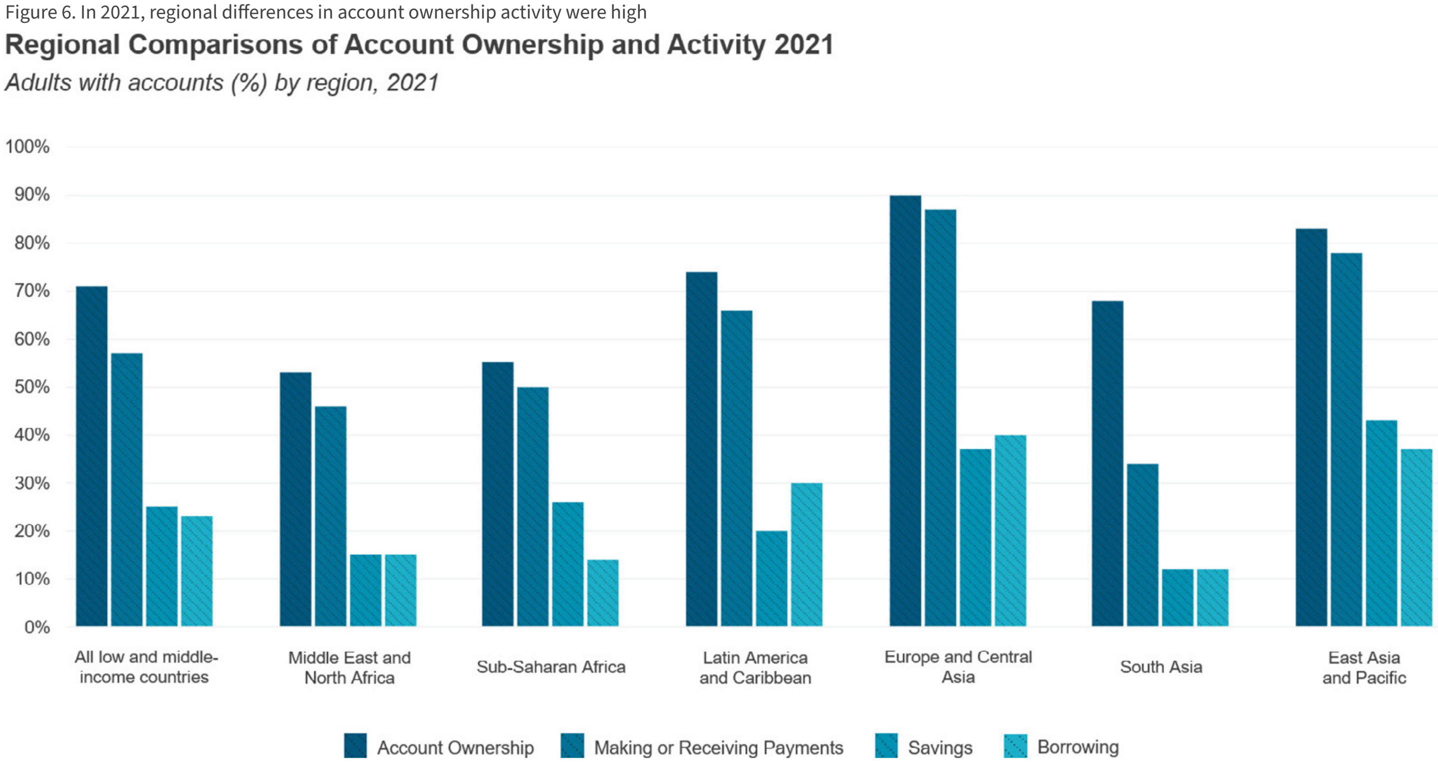
[33] The Global Findex Database.
[34] The Global Findex Database. "Make or receive a digital payment" was captured for the first time in 2014. It covers respondents who report using mobile money, a debit or credit card, or a mobile phone to make a payment from an account—or report using the internet to pay bills or to buy something online or in a store—in the past year.

However, while the breadth of financial inclusion has increased worldwide, growth in the depth of financial inclusion (i.e., more people and MSEs have access to and use a suite of financial products and services, such as savings, credit, and insurance) remains low. The 2021 Global Findex data shows that only 25 percent of the adult population living in LMICs saved money at a financial institution or by using a mobile money account. Similarly, 23 percent of that population borrowed money from a financial institution or used a mobile money account during the last year.[35] In addition, the Microinsurance Network's (MIN) 2022 Landscape of Microinsurance found that up to 223 million people in 34 countries across Africa, Asia, and Latin America and the Caribbean (LAC) were covered by a microinsurance product. This figure is estimated to only represent up to 8 percent of the target population in the countries studied.[36] This highlights the need for continued support in expanding the suite of financial services available to poor, vulnerable, and underserved people and MSEs.

Moreover, regional variations in the breadth and depth of financial inclusion remain stark (see Figure 6). In general, the Middle East and North Africa (MENA), South Asia, and Sub-Saharan Africa trail behind LAC and Europe and Central Asia in account ownership, making or receiving digital payments, savings, and borrowing. While account ownership in South Asia is relatively high at 68 percent, 22 percent of those accounts are inactive.[37] By comparison, account inactivity in all other regions remains low—between 1 percent and 4 percent. Regional variations demonstrate the significant progress that remains to be seen around the world.

Further, while the gender gap in account ownership in developing countries has decreased from 9 percentage points to 6 percentage points, this signal of progress obscures a more nuanced reality. Significant gender gaps remain across the world, with 742 million women currently financially excluded (i.e., without an account at a financial institution or through a mobile money provider). Many countries still have

Figure 6. In 2021, regional differences in account ownership activity were high



Source: The Global Findex Database 2021

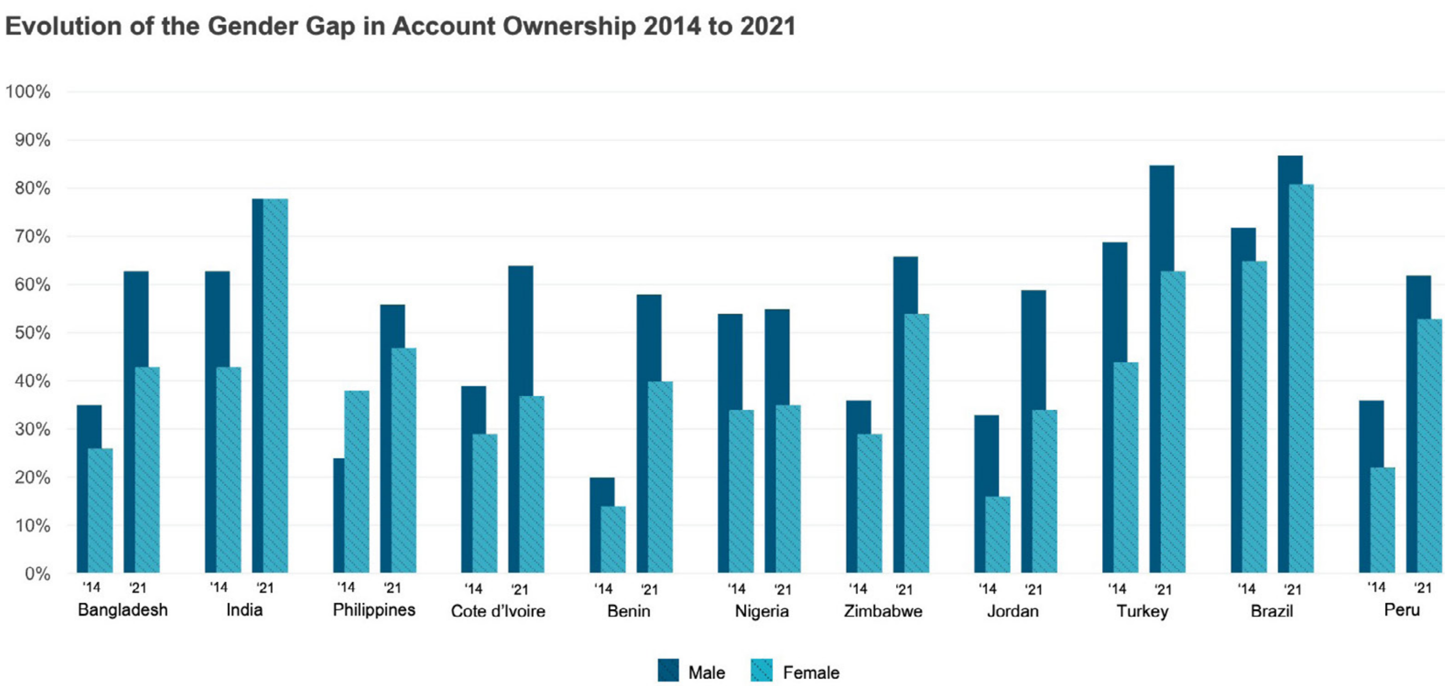
[35] The Global Findex Database.
[36] Alice Merry and Johan Sebastian Rozo Calderon. 2023. The Landscape of Microinsurance 2022. Microinsurance Network.
[37] The Global Findex Database.

significant gender gaps (see Figure 7). For instance, Bangladesh shows a 20 percentage point gap in account ownership between men and women while Côte d'Ivoire shows a 27 percentage point gap.[38] Moreover, the global gender gap in account usage of 9 percentage points has not changed since 2017 and some countries show an even less encouraging picture. For example, women in India are 17 percentage points less likely than men to use their accounts.[39] While several factors contribute to these gaps, CGAP's research shows that gendered social norms are often the root cause.[40]

In addition to lower rates of financial inclusion among women, the 2021 Global Findex shows lower rates among people in rural and agricultural areas, unemployed populations, and those living in fragile contexts. For example, access to an account in rural areas of Sub-Saharan African LMICs ranges from 4 percent in South Sudan to 81 percent in South Africa. Within MENA, rural account access ranges from 16 percent in Iraq to 33 percent in the West Bank and Gaza. Further, formal account ownership in fragile countries is less than half that in non-fragile countries (31 percent and 69 percent, respectively).[41]

It remains critical that the financial inclusion sector finds ways to address the financial needs of all those at risk of remaining unbanked. As the world continues to become more digitalized and financial sectors continue to expand in size and impact, it is imperative that the financial inclusion sector finds ways to serve those who remain excluded and are among those who need these products and services the most. Today, roughly 1.4 billion adults do not have any type of formal financial account; most of those unbanked individuals live in LMICs. Even if DFS continued to see the same positive trends observed over the last decade, by 2030 around 330 million individuals, likely women and the most vulnerable populations, would still be left without a bank account.[42] In other words, those left out are likely to fall even further behind.

Figure 7. In many countries, the gender gap in account ownership has not decreased



[38] We use the term "gender" in this document with the acknowledgment that it is a nonbinary concept. However, in many cases, data from the Global Findex and other sources refer only to men and women. When citing these, we are limited to presenting a comparison between these two genders.
[39] The Global Findex Database.
[40] Antonique Koning, Joanna Ledgerwood, and Nisha Singh. 2021. Addressing Gender Norms to Increase Financial Inclusion: Designing for Impact. Technical Guide. Washington, D.C.: CGAP.
[41] The Global Findex Database.
[42] Karina Nielsen. August 2022. Findex 2021 Insights for the Future. Washington, D.C.: CGAP.

2.2 Private sector-led digital innovation can create new models to reach excluded and underserved people with a range of financial services

Private sector-led innovation can drive further progress in financial inclusion. Innovation in DFS contributes to redefining the inclusive finance landscape in ways that can help make financial services more affordable, accessible, and relevant. Fintech growth in developing countries has accelerated in the last few years, both in terms of start-ups and the expansion of established companies.[43] While such innovation[44] and growth can bring increased risks to customers and pose challenges for financial sector regulation, it also has the potential to push the financial inclusion frontier further, especially in terms of collaboration and partnerships between FSPs. The modularization of financial value chains and the development of regulatory frameworks that create a level playing field among financial players can provide a new paradigm for inclusive finance, one where "they [fintechs] are building the groundwork—including easier digital identity verification, collaborative customer due diligence, data sharing, and payment schemes—that can catalyze a host of financial services."[45]

Importantly, digital data offers the opportunity to not only increase the breath of financial inclusion but also its depth and utility. CGAP's research shows that people living in poverty generate a great amount of data and that this data can be leveraged to provide them with greater access to a broader range of financial services that meet their needs. CGAP's Global Landscaping Study on the Data Trails of Digitally Included Poor (DIP) People estimated that in 2021, 1.8 billion of those earning under US$5.5 per day in LMICs had digital access as defined by ownership of or access to a phone and therefore generated digital data trails. That number was slated to grow to about 2 billion by 2025. Of the 1.8 billion DIP segment, 33 percent—600 million people—did not have an account and 68 percent—1.2 billion people—had not made or received a digital payment. This gap in breadth indicates that there is an opportunity to serve the unbanked DIP segment, for instance, by leveraging their data trails to conduct customer due diligence. CGAP's research further shows that alternative data (i.e., MSE and customer transactions, platform worker activity) can also effectively be used to offer credit to those excluded, with credit loss predictive power that is comparable to traditional credit scores. Therefore, FSPs can leverage the digital footprint of the unbanked DIP segment to offer more and better financial services.[46]

To actualize such continued progress in financial inclusion, public–private partnerships and blended finance solutions will be essential in establishing a conducive policy environment and enabling impactful private investment. At the same time,

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[43] The Economist, November 6, 2021. In 2021, boosted by the launch of the Pan-African Payment and Settlement System, four of Africa's fintech firms reached or exceeded billion-dollar valuations to more than double Africa's population of "unicorns."
[44] Recent innovations in the inclusive financial landscape include open banking, the modularization of financial services, distributed ledgers, cryptocurrencies, artificial intelligence, cloud computing, etc.
[45] Gayatri Murthy, Maria Fernandez-Vidal, Xavier Faz, and Ruben Barreto. May 2019. Fintechs and Financial Inclusion. Focus Note, Washington, D.C.: CGAP.
[46] Maria Vidal Fernandez and Arisha Salman. March 2023. Global Landscape: Data Trails of Digitally Included Poor (DIP) People. Reading Deck, Washington, D.C.: CGAP.

they can limit burdens on scarce public resources and mitigate potential risks. A strong enabling foundation is required for responsible progress in the digitization of financial services. Over the past decade, the importance of digital public infrastructure and supportive regulatory environments in enabling private sector-led financial inclusion broadening and deepening has been demonstrated.[47] Among other examples, the India Stack highlights the relevance and potential of digital public infrastructure with its interconnected digital identity, payment, and data management systems. Similarly, Brazil's Open Finance regime, where regulated entities licensed by the Central Bank of Brazil share data, products, and services at the customer's discretion, demonstrates the usefulness of leveraging data for increased depth and utility of financial inclusion. In addition, governments may need to continue to play a key role in the provision of financial support for the most vulnerable communities and help address social norms that affect women's access to finance.

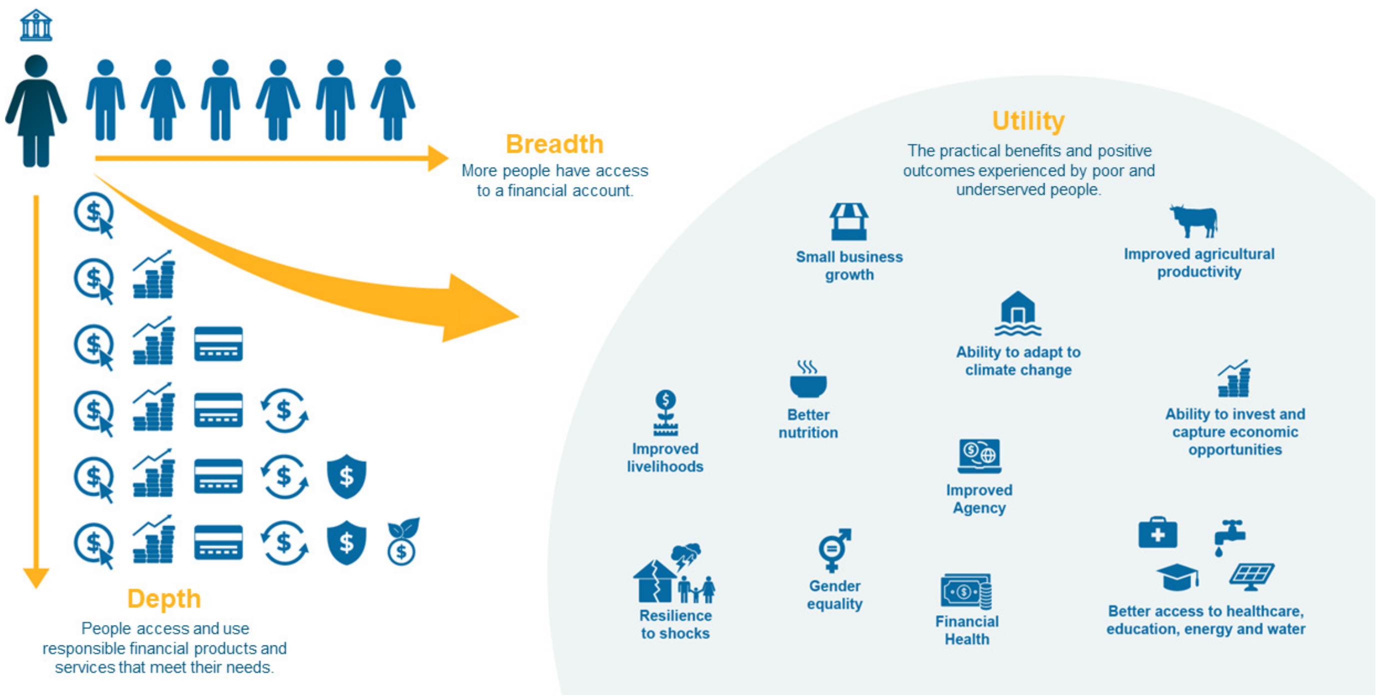
[47] William Cook, Dylan Lennox, and Anand Raman. August 2020. (Un)stacking Financial Market Infrastructure. Working Paper. Washington, D.C.: CGAP.

2.3 Financial inclusion can and must further elevate its sights

While opportunities to advance financial inclusion continue to grow, the financial inclusion industry needs to shift away from the historic focus on the mechanisms that create financial access to instead adopt a focus on contributing to broader development outcomes. This will enable us as a collective to contribute to larger, lasting change. Given the compounding shocks and crises affecting everyone around the world and the risks associated with both inappropriate provision and usage of (especially digital) financial services, simply ensuring financial access and usage is not adequate today. Not only do more people need to access and use financial accounts (i.e., **breadth** of financial inclusion), they need access to a suite of responsible financial products and services (i.e., **depth** of financial inclusion). This suite of products and services must enable individuals to meet their essential needs, such as generating income, accessing essential services and green solutions, addressing shocks, and building resilience (i.e., **utility** of financial inclusion). See Figure 8.

Figure 8. We need to work toward increasing the breadth, depth, and utility of financial inclusion

We need to increase the breadth, depth, and utility of financial inclusion to enable green, resilient, and inclusive futures for individuals and communities.

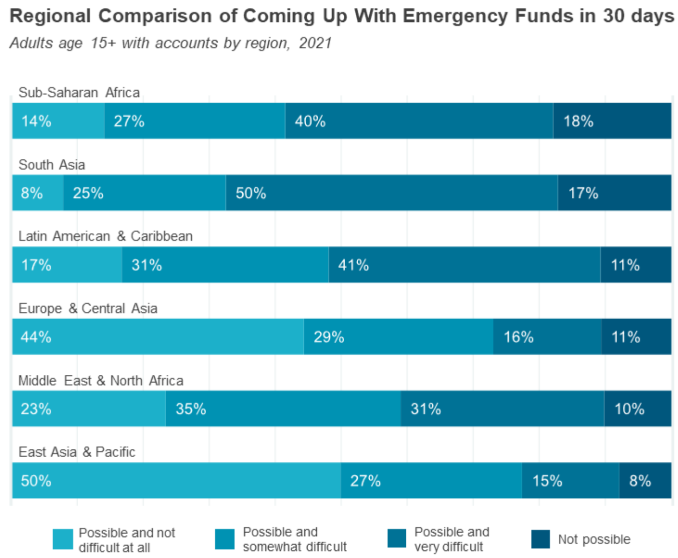


The need to focus on the utility (i.e., the practical benefits and positive outcomes) of financial inclusion rather than access to financial services per se is sharply illustrated when looking at resiliency. Global Findex data clearly illustrates that despite progress in account ownership, and to some extent account activity, this has not yet led to substantial impact on a key measure of resiliency. In developing economies, only 55 percent of adults can access emergency money in 30 days with little or no difficulty. In fact, among the poorest 40 percent of households, only 40 percent say they would be able to cover the cost of an emergency (see Figure 9). In addition, the data shows strong regional differences in resiliency. As Figure 9 illustrates, Sub-Saharan Africa, South Asia, and LAC are the least resilient on this measure, with large variations between countries within regions.[48]

There is robust evidence that financial inclusion is an enabler toward a greener, more resilient, and more inclusive world. The International Monetary Fund (IMF) argues that financial inclusion—especially that of women as users, providers, and regulators of financial services—should theoretically have a measurable impact on macroeconomic outcomes such as long-term growth, enhanced income equality, or reduced poverty.[49] A recent study finds robust evidence that financial inclusion contributes to at least 13 of the 17 SDGs: SDG 1–11, 13, and 16[50] (see Figure 10). Furthermore, numerous studies have shown that financial services, including savings, remittances and other money transfers, insurance, and, in some circumstances, credit, can help people increase their financial health, build resilience, and absorb, anticipate, or recover from shocks by adapting aspects of their livelihoods or transitioning to new situations. Furthermore, inclusive financial markets enable climate finance to reach low-income populations and helps them prepare for and participate in the climate transition.[51] Similarly, DFS enable low-income households to capture opportunities to prosper, access products and services, and participate in the digital economy.[52]

Importantly, financial inclusion is especially crucial for women's empowerment. Research shows that female-controlled finances are more likely to be spent on necessities that benefit the entire household, such as food, water, school fees, and healthcare.[53] Further, CGAP's

Figure 9. The resiliency of people in developing countries is weak in most regions



Source: The Global Findex Database 2021

Figure 10. Digital financial inclusion can ignite SDG progress

[48] The Global Findex Database.
[49] IMF, Ratna Sahay, and Martin Cihak. September 2018. Women in Finance: A Case for Closing Gaps.
[50] UNSGSA, Better Than Cash Alliance, UNCDF, CGAP, and the World Bank. February 2023. Igniting SDG Progress through Digital Financial Inclusion. Joint Working Paper.
[51] Nicole Pasricha and Silvia Baur-Yazbeck. December 2020. How Financial Services Can Help the Poor in the Climate Transition. Blog. Washington, D.C.: CGAP.
[52] Adolfo Barajas, Thorsten Beck, Mohammed Belhaj, and Sami Ben Naceur. 2020. Financial Inclusion: What Have We Learned So Far? What Do We Have to Learn? IMF Working Paper.
[53] UNSGSA, Better Than Cash Alliance, UNCDF, CGAP, and the World Bank. February 2023. Joint Working Paper.

research shows that women are more likely to achieve positive business outcomes when they control loan funds or can limit diversion of funds to their spouses.[54]

Financial inclusion is particularly important in building resilience to climate change. Climate change and its associated risks and shocks affects the welfare and livelihoods of vulnerable individuals and households, and especially women to a disproportionate extent.[55] While people living in poverty disproportionately suffer, they have the smallest margins and the least access to resilience strategies that can help them avoid, absorb, and adapt to shocks. Of the world's 1.4 billion unbanked adults, a majority (over 1 billion) live in the most climate-vulnerable countries.[56] Further, three out of four adults in these countries are either unbanked or not financially resilient as compared to one out of three in less climate-vulnerable countries. As such, financial services can play a critical role in helping vulnerable populations navigate the risks and shocks associated with climate change and build resilience. Informal savings, insurance with fast payouts, adaptive social protection payments, and access to remittances after disaster can assist the most vulnerable in dealing with climatic shocks and risks. At the same time, credit products can help them invest in risk-reduction measures like irrigation, hardier seed varieties, or the transition into new livelihoods and diversified sources of income.

However, while financial inclusion can bolster climate resilience, business as usual will not get us there. While a wide range of awareness and action on climate risk and adaptation exists across the financial sector, FSPs have not gone far on climate adaptation for various reasons, including a lack of data, expertise, and a commercial business case for climate products. Climate efforts tend not to center on bolstering resilience and adaptation for vulnerable clients but instead focus on green finance for mitigation and on government preparedness. In addition, efforts to "green" the financial system could unintentionally present risks to inclusive finance, as climate change makes risky clients even riskier and inclusive finance providers could themselves become vulnerable to climate shocks. On the other hand, inclusive climate regulation and policy can drive a virtuous cycle of growing resilience. If economic actors at the margins of the financial system can afford the services necessary to insure themselves against shocks, invest in green technology, and adapt to climate change and environmental degradation, they will increase their resilience. A more resilient real economy in turn reduces the risks the financial sector faces and enhances financial stability.

Going forward, the financial inclusion community must intensify its shift from a predominant focus on the mechanisms that create financial access to a mindset focused on how responsible and inclusive financial services can improve development outcomes. Ultimately, inclusive financial services are only meaningful if they provide utility—that is, practical benefits, positive outcomes, and minimized risks for low-income people and communities.

[54] Mayada El-Zoghbi, Nina Holle, and Matthew Soursourian. July 2019. Emerging Evidence on Financial Inclusion: Moving from Black and White to Color. Focus Note. Washington, D.C.: CGAP.
[55] Stephane Hallegatte, Adrien Vogt-Schilb, Mook Bangalore, and Julie Rozenberg. 2017. Unbreakable: Building the Resilience of the Poor in the Face of Natural Disasters, Climate Change, and Development. Washington, D.C.: World Bank.
[56] Analysis by the Office of the UNSGSA, based on the Global Findex and the Notre Dame Global Adaptation Initiative Index. Climate vulnerable countries are defined as those in the top 50 percent of the ND-GAIN vulnerability index.

2.4 A theory of change for the financial inclusion sector strongly anchored in development outcomes

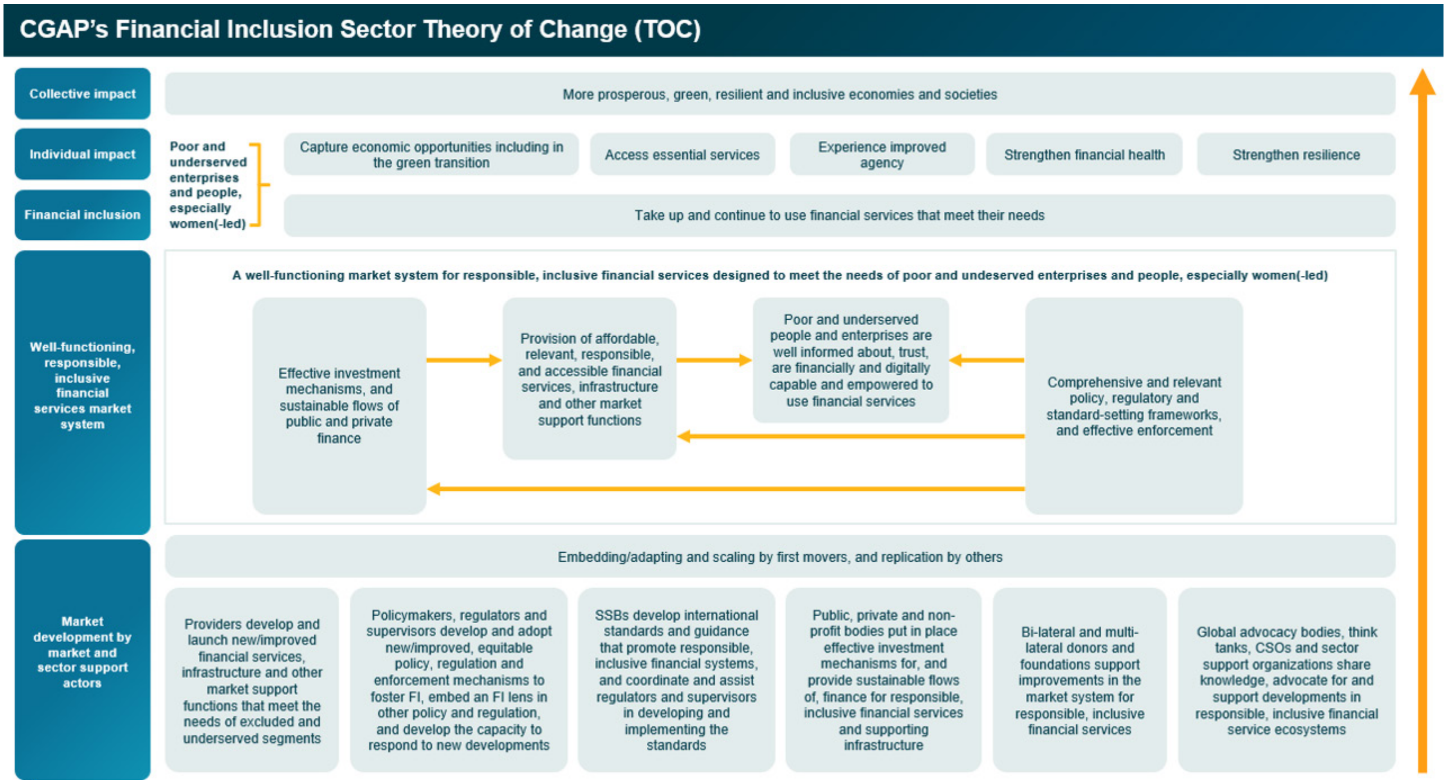
In keeping with CGAP's belief that financial inclusion can realize its potential to contribute to the broader development outcomes discussed above, we are articulating a sector-wide theory of change (TOC) to help inform these efforts. Our vision states that *responsible and inclusive financial ecosystems enable a green, resilient, and equitable world for all.* This belief is articulated in an evolving TOC that CGAP is collaboratively developing with (and for) the financial inclusion sector at large. The TOC incorporates a market system perspective, identifying the key components of a well-functioning market system that are required to advance financial inclusion and its contributions to green, resilient, and inclusive development. The TOC will identify the principal actor groups within and outside the market system and their respective roles in advancing financial inclusion and its positive outcomes. Finally, it will identify the key assumptions that underpin and the risks that could undermine progress. The TOC is not intended to mirror the CGAP VII Strategy but will reflect a consensus a mong sector stakeholders on how financial inclusion can contribute to key development outcomes and what the range of sector actors needs to do to bring that about. CGAP has our own theory on how we will contribute to the sector-wide TOC, which we call our theory of action (see Section 6, Figure 23).

The sector-wide TOC will be consensus-based and serve as a roadmap to identify where more work needs to be done by different stakeholders to ensure financial inclusion realizes its full potential. CGAP has so far developed a prototype; a simplified version of the TOC is included in Figure 11. We intend to take this work forward through a consultative multistakeholder process during the CGAP VII Strategy period.

The realization of CGAP's vision will rely on the collective efforts of all stakeholders across the financial inclusion industry. CGAP will continue our tradition of partnering with other stakeholders to achieve collective impact while providing leadership in areas where we have a comparative advantage.

To measure progress toward the sector-wide TOC, CGAP will also partner with industry stakeholders to identify new global financial inclusion indicators focused on financial inclusion outcomes. The new indicators will complement existing ones (e.g., the Global Findex, IMF Financial Access Survey, G20, IRIS+, other datasets) to provide a better understanding of the outcomes of financial inclusion for its beneficiaries and beyond, including new resilience indicators. The new indicators could be used by individual stakeholders or included in international surveys such as the Global Findex, ultimately becoming industry compasses.

Figure 11. CGAP has developed a prototype theory of change for the financial inclusion sector



CGAP's Mission, Role, and Comparative Advantage

As a generator of global public goods, CGAP is well positioned to help facilitate the development of responsible and inclusive financial ecosystems to enable a green, resilient, and equitable world for all. We bring an agile, pragmatic approach to identify, explore, and assess emerging frontier financial ecosystem developments with the potential to expand the breath, depth, and utility of financial inclusion. The approach is supported by our evidence-based advocacy function that responds to pressing global challenges and globally shares knowledge. As such, CGAP has adopted a new mission statement that reiterates our commitment to poor and vulnerable groups and to MSEs (see Box 2). It also summarizes CGAP's principal ways of working (see Annex 1 for the evolution of CGAP's mission).

Box 2. CGAP's mission statement

CGAP works at the frontier of inclusive finance to test solutions, spark innovation, generate evidence, and share insights. Our knowledge enables public and private stakeholders to scale solutions that make financial ecosystems meet the needs of poor, vulnerable, and underserved people and of MSEs, including through advancing women's economic empowerment.

CGAP's approach is characterized by an unrelenting commitment to provide impartial evidence and lessons based on country experience and global knowledge. The hallmark of CGAP's work is our independent high-quality research and analysis that we make available to all as a global public good. Our work integrates an understanding of customer needs, including a consistently applied gender lens, with exploration of new technologies and business model innovations and FSP perspectives. At the same time, our work emphasizes the importance of a responsible enabling policy environment and of improving donor and investor effectiveness. CGAP's work is backed by practical field work and the global knowledge of our team of financial, policy, gender, and development experts who have extensive technical and field experience in the private, nonprofit, and public sectors.

Over nearly three decades, CGAP has garnered a reputation for credibility and impartiality, as highlighted in the CGAP VI Independent Strategic Evaluation (see Box 3). The evaluation referred to five key characteristics as "the CGAP Difference" (see Figure 12) which, as a holistic package, sets us apart from other financial inclusion industry players.[57]

Box 3. Excerpts from the CGAP VI Independent Strategic Evaluation

CGAP enjoys entrenched and cross-cutting credibility among all stakeholder groups in the financial inclusion ecosystem, a position that is rare. It derives this credibility by consistently taking strong, independent positions that champion a pro-poor and women-centric agenda that is strongly aligned to its mission. Its credibility is also enhanced by its "think-and-do [tank]" approach of in-country learning and on-the-ground insights and solutions. This approach has, over time, led CGAP to develop a deep and unique base of intersectional, topical (e.g., agricultural economics or gender) and technical (e.g., fintech product development) expertise that market actors value and senior decisionmakers trust.

– Dalberg, CGAP VI Strategic Evaluation, February 2020–May 2022

Figure 12. "The CGAP Difference," as highlighted by the CGAP VI Independent Strategic Evaluation, centers on five distinct characteristics

Neutral and highly credible voice
CGAP's deep credibility across target stakeholders affords it significant convening power.

Championing a pro-poor lens
CGAP effectively champions the use of a pro-poor lens in its research and engagements and is unique in the sector for having this focus.

Think-and-do tank
CGAP's in-country learning and testing allows it to offer practical guidance for actors across geographies rooted in real-world relevance.

Intersectional expertise
CGAP staff possess a rare combination of topical and functional expertise that allows them to speak authoritatively on challenges faced by market actors.

Having the ear of senior decision makers
CGAP is unique in the access and relationships it enjoys with critical ecosystem actors; when it talks, key emerging market regulators and the biggest funders in financial inclusion listen.

57 CGAP VI Strategic Evaluation, February 2020–May 2022.

CGAP's partnership model is at the heart of our influence strategy. To generate impact, CGAP widely shares our knowledge and endeavors to incentivize all those working in inclusive finance to take in relevant insights to enhance the effectiveness and impact of their work and investments. We aim to position the needs of poor, vulnerable, and underserved people, along with the needs of MSEs, on the global financial sector development agenda. To do so, CGAP's influence strategy is centered on its partnership model: CGAP brings together a large community of key inclusive finance actors in the public, private, and nonprofit sectors[58] to convene around a shared vision and objectives, share our insights, explore collective solutions, identify and mitigate risks, and enhance stakeholders' effectiveness and impact. We increasingly work with actors beyond inclusive finance on the nexus of financial inclusion and critical topics such as food security, climate, resilience, gender, fragility, and others. We rely on our partners—especially CGAP members—to take in our insights and to influence the sector as a whole and generate positive impact at scale. When we work in-country, it is to learn, generate, and share knowledge, not to implement. (More information on CGAP's impact can be found on our website.)

In CGAP VII we will leverage our comparative advantage and value add to the industry. In selecting the CGAP VII work program, we have used decision criteria aligned with our comparative advantages (see Figure 13). In so doing, we aim to select work that strategically leverages resources and globally optimizes our impact. We will exit topics that are ready to be mainstreamed by industry stakeholders (see Annex 1) to continue focusing on emerging solutions that are likely to make a real difference for financial inclusion going forward.

Figure 13. The CGAP VII decision criteria encompass critical dimensions that must be considered in CGAP's work

[58] This includes different FSPs (e.g., banks, mobile money issuers, MFIs, SACCOs, fintechs), policymakers, regulators, civil society organizations, donors, and investors—especially our members—standard-setting bodies, capacity building organizations, industry associations, and more.

4

Thematic Priorities, Outcome Areas, and the High-Level Work Program for CGAP VII

To leverage the potential of financial inclusion to contribute to higher-level development outcomes, the financial inclusion industry will need to implement tailored intentional approaches to enhance the breadth, depth, and utility of financial inclusion everywhere. Given the multifaceted challenges facing today's world, the solutions required to bridge gaps in financial breadth, depth, and utility need nuance and tailoring. For instance, some countries lack the basic enablers of digital financial inclusion: adequate connectivity and digital public infrastructure, payments digitization, widespread agent networks, and basic regulatory enablers.[59] Other countries have some of these enablers in place but still struggle to reach certain segments, such as individuals living in rural areas and women, often due to gendered social norms. In addition, most countries, including those with greater levels of financial inclusion, still need to ensure that financial services meet the most pressing customer needs, including building resilience to shocks and stresses and enabling greater prosperity. Addressing challenges in these differing contexts requires targeted financial solutions, policies, and practices. The CGAP VII work program has been designed to ensure that CGAP leverages our comparative advantage, continuing to explore the frontier challenges and opportunities of financial inclusion while exiting work on issues with well understood solutions.

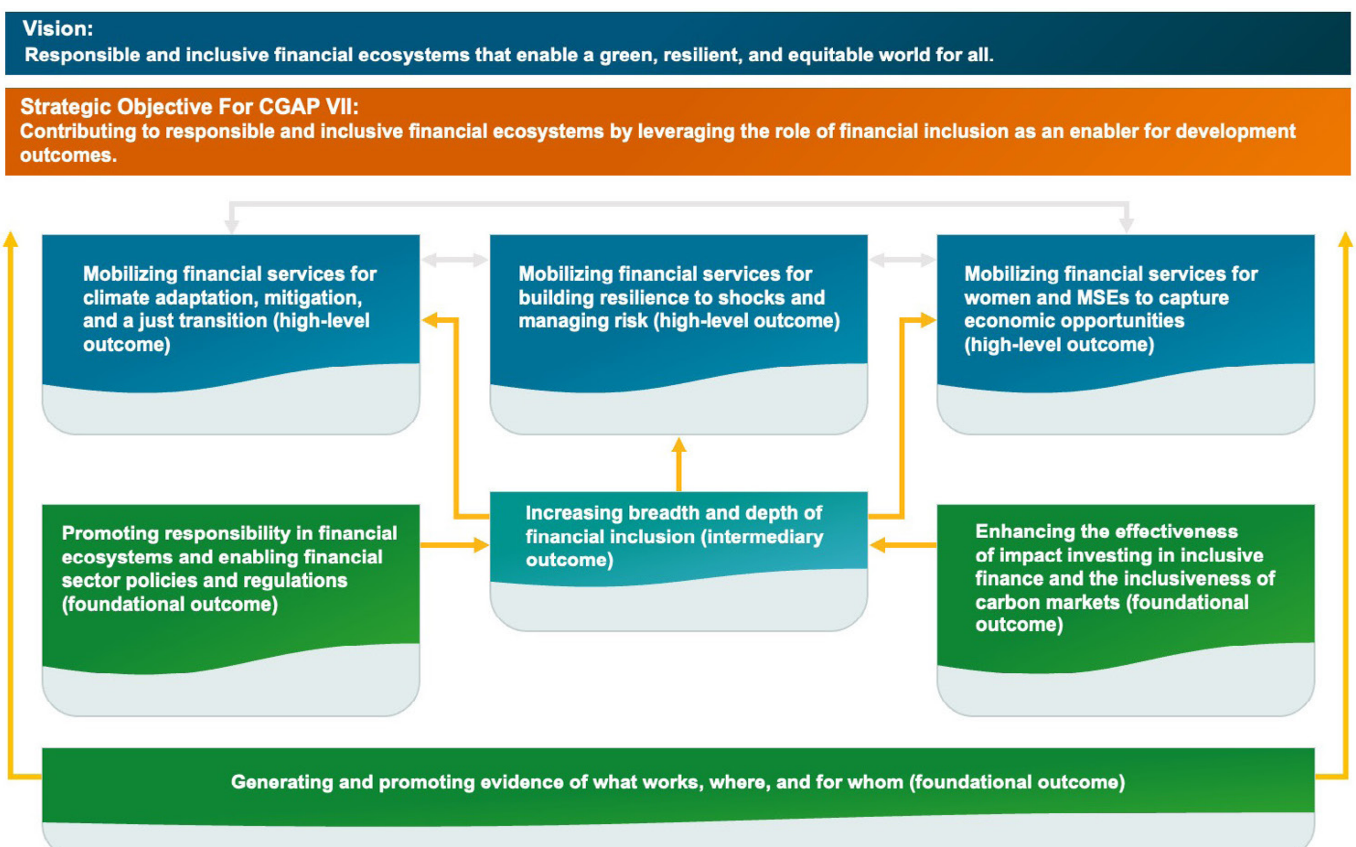
[59] Stefan Staschen and Patrick Meagher. 2018. Basic Regulatory Enablers for Digital Financial Services. Focus Note 109. Washington, D.C.: CGAP. The four basic regulatory enablers are: non-e-money insurance, use of agents, risk-based customer due diligence (CDD), and consumer protection.

The proposed CGAP VII work program is aligned with current global challenges, recent evolutions in financial inclusion, and our comparative advantage. It is focused on seven outcome areas (see Figure 14). Three of these outcome areas (blue boxes) encapsulate higher-level development outcomes we seek to contribute to. The work program also includes three foundational outcome areas (green boxes) and an intermediary outcome area (turquoise box). Together, these seven outcome areas will help us contribute to our strategic objective and ultimately achieve our vision of contributing to green, resilient, and inclusive development through financial services for all. As the arrows in Figure 14 show, the synergies across the seven outcome areas will be supported by strong collaboration across CGAP teams.

These seven outcome areas are highly relevant to the achievement of our CGAP VII strategic objective and our overall vision and represent areas where we are well placed to contribute based on our experience, skill set, and previous work. We will build on work from past strategy cycles, for example, our proposed work on responsible financial ecosystems that builds on a decade of work on consumer protection. New and emerging aspects of topics from past strategy cycles, such as gendered social norms, policy architecture, impact evidence, MSE and agriculture finance, data, and open banking, all call for CGAP's continued and renewed focus. (See Annex 2 for information about the previous CGAP knowledge products CGAP VII will build on.) Other topics reflect new opportunities or challenges, such as green and adaptation finance for poor people, inclusive finance in fragile contexts, leveraging artificial intelligence (AI), and more.

Work under each outcome area will be implemented through an evolving set of projects, workstreams, and research and development (R&D) efforts with an average duration of six months to three years. These relatively short timeframes are designed to enable CGAP to provide the sector with timely inputs and to remain flexible and able to pivot to newly emerging priorities as needed. For each task, we will undergo a rigorous review process based on the CGAP VII decision criteria (see Figure 13) and aimed at driving our efforts toward relevance, quality, and influence. The review process includes initial project proposals and peer-reviewed concept notes, along with influence and results strategies. While the following subsections describe CGAP's work program as currently anticipated, we may need to modify it throughout the strategy period to remain at the frontier of inclusive finance challenges and opportunities.

Figure 14. CGAP VII focuses on seven outcome areas



In addition, we have identified five lenses we will mainstream throughout our work—building on our success in mainstreaming a focus on gender (see Box 4). These lenses acknowledge the importance of certain topics and will help mainstream them throughout the CGAP VII work program, as and when relevant. While not all lenses are relevant to each project, workstream, or R&D effort, teams will consider each lens during the project design phase to identify possible opportunities to explore the essential topics across our work. The lenses will reinforce our main outcome areas and ensure that CGAP captures additional opportunities to explore the topics when relevant. Figure 15 shows the five lenses.

Box 4. Mainstreaming gender throughout CGAP's work

CGAP has developed deep expertise in mainstreaming gender throughout our technical work and internal operations. We have endorsed a CGAP Gender Narrative that lays out CGAP's vision for our gender work and underlines the importance of women's financial inclusion to achieve that vision. It also looks at current gaps in financial inclusion, its constraints and potential solutions, and how CGAP can contribute to women's economic empowerment.

To implement the vision, CGAP will call upon our strong portfolio of gender work. For example, we have conducted analytical and applied research on the gendered aspects of social norms and how interventions can be designed to increase women's financial inclusion and economic empowerment despite those norms (see details here). In addition to our dedicated efforts, CGAP has mainstreamed gender throughout our technical work. For example, CGAP's work on DFS distribution networks identified gender-focused learning questions that led to the development and testing of solutions to address barriers to women's participation in DFS distribution networks.

To support these efforts, a team of gender experts and Gender Advocates provide our operational teams with support on gender mainstreaming. CGAP staff are also encouraged to learn about gender issues and incorporate a gender lens in their work through our Gender Champion program, which acknowledges individuals who demonstrate increased capacity and knowledge of gender issues.

We will continue to convene the FinEquity community of practice to globally influence stakeholders and provide practical solutions to advance women's economic empowerment through financial inclusion.

Most lenses will be complemented by dedicated operationalization plans, such as our existing CGAP Gender Narrative, to articulate how CGAP will mainstream each respective topic. The plans will build on CGAP's experience in mainstreaming gender into our work during previous strategy cycles. Additional strategies, including new strategies for contributing to greener development and fostering private sector-led solutions in inclusive finance, will provide guidance to our teams on how to apply each lens. Box 5 articulates an example of how CGAP will continue to contribute to strengthening financial health through the lens of "fostering responsible financial services and health."

Box 5. CGAP's contribution to strengthening financial health

Evidence shows that financial health is influenced by many factors, including but not limited to financial inclusion. CGAP acknowledges the critical nature of financial health as a component of resilient development and responsible financial services and has incorporated it into our work program lens of "fostering responsible financial services and health." To implement this lens, we have adopted the UNSGSA Financial Health Working Group definition of financial health: "Financial health is the extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future."[60]

In the CGAP VII work program, we will address issues related to financial health across several outcome areas, including to explore measurement dimensions of resilience, augment access to harder-to-reach segments to enhance their resilience, and support the use of data to unlock access to more financial services for greater resilience.

Figure 15. The five CGAP VII work program lenses aim to mainstream key topics throughout CGAP's work

[60] Financial health is "the extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future." Source: UNSGSA Financial Health Working Group. September 2021. Measuring Financial Health: Concepts and Considerations.

4.1 Mobilizing financial services for climate adaptation, mitigation, and a just transition

This outcome area centers on enhancing the role of financial services in helping poor and vulnerable populations, especially women, as well as MSEs, adapt to the growing threat of climate change while participating in the transition toward a green economy (see Figure 16). Extreme weather patterns, natural hazards, and food and water shortages increasingly threaten the lives and livelihoods of people living in poverty across the world. Through research and piloting, CGAP will advance global learning on how financial services can deepen access to innovative and climate-smart practices that mitigate greenhouse gas emissions, bolster resilience, facilitate adaptation to climate change, and improve livelihoods for affected populations in rural and urban settings.

There are three primary focuses under the "Mobilizing financial services for climate adaptation, migration, and a just transition" outcome area

Increasing the effectiveness of financial services that help vulnerable people, especially women, to adapt and grow more resilient to climate change

Catalyzing financial services that enable rural women to benefit from digital economies, diversify their livelihoods, and invest in climate-smart agriculture practices

Enabling poor and vulnerable people and MSEs to use financial services to access green solutions

Figure 16

One of CGAP's key projects is centered on the risks posed by a changing climate for people living in poverty and the role of financial services in addressing them. This project focuses on improving the effectiveness of financial services to help people living in poverty strengthen their resilience and boost their adaptation to climate shocks and stresses. The project's broad remit reaches across multiple products and providers in rural and urban contexts and aims to identify solutions for customers, providers, and the enabling environment. In so doing, we seek to delineate the respective roles of public and private sector actors. The project will ultimately develop an evidence-based narrative on the role of financial services in boosting climate resilience and adaptation, which will guide further work by CGAP and beyond.

In addition, given the disproportionate impact of climate shocks on women, especially those in agriculture, CGAP has been working on how financial and nonfinancial services can enhance rural women's resilience in the face of accelerating climate shocks, social change, and transforming economies. CGAP has been examining how financial services business models can equip rural women to benefit from emerging digital economies, diversify their livelihoods, and invest in more resilient, climate-smart agriculture practices. We hope this will help boost resilience, food security, and livelihood opportunities for rural women while supporting the use of climate-smart agricultural practices that also restore degraded lands, improve biodiversity, and reduce carbon emissions.

Later in the strategy cycle we will examine how financial services, coupled with enabling policies and investment, can play a key role in driving the transition to green development at household and MSE levels. There is an opportunity to bypass environmentally damaging carbon-intensive approaches and mitigate the environmental impact of increasing demand for goods and services among the millions of households moving out of poverty.

4.2 Mobilizing financial services for building resilience to shocks and managing risk

There are two primary focuses under the "Mobilizing financial services for building resilience to shocks and managing risks" outcome area

Facilitating the development and growth of inclusive insurance markets

Identifying barriers and opportunities for financial inclusion and inclusive finance in fragile countries

Figure 17

This outcome area focuses on understanding how financial services can be mobilized to build resilience and manage risk and uncertainty for people living in poverty, as well as MSEs, in the context of shocks and crises (see Figure 17). As Section 1 outlined, people living in poverty today are navigating more risks in quicker succession than at any other time in the recent past. Financial services can play a role in boosting resilience[61] but can also do harm if they lead to over-indebtedness as people face difficult tradeoffs in coping mechanisms. Given the extreme threat climate change poses, this work will have a strong but not exclusive focus on climate resilience.

For the initial years of CGAP VII, we propose to focus on two areas of work: (i) supporting the development of microinsurance and (ii) fostering inclusive finance in fragility, conflict, and violence (FCV) contexts.

First, we will aim to understand the obstacles, including those in regulatory frameworks, and the opportunities to bolster the role of microinsurance in helping people living in poverty, as well as MSEs, cope with and recover from the shocks that affect their lives. Insurance is an important financial tool for building resilience and helping protect individuals and enterprises from the financial consequences of shocks. However, despite decades of investments and countless insurance initiatives, insurance uptake and claims ratios remain extremely low among poor and vulnerable people. As Section 2.1 referenced, only approximately 8 percent of the population in 34 countries was recorded as covered by a microinsurance product. As such, CGAP will have a wide focus that includes health insurance and climate risk insurance. We anticipate a deep dive on the potential of embedded finance.

Second, CGAP has been working in fragile[62] countries where the ability to build resilience is hampered by concurrent crises and where inclusive finance can be part of the solution. The need in these contexts is significant as a total of 1.9 billion people live in fragile contexts. That figure accounts for 24 percent of the global population but 73 percent of the world's extreme poor.[63] Moreover, financial inclusion is particularly limited in this context as formal account ownership in fragile countries is only half that of non-fragile countries (37 percent and 77 percent, respectively).[64] We will aim to better understand the role inclusive financial systems can play and the challenges they face in building resilience to recurring crises and providing opportunities for those living in FCV contexts. The work will also look at how inclusive FSPs—both formal and informal—can play a role in channeling humanitarian aid. For example, we will examine how existing humanitarian cash transfer programs in Sudan, implemented by the World Food Programme (WFP) and funded by the World Bank and other donors, can work beyond immediate priorities to build resilient, long-term solutions despite the absence of G2P programs.

[61] See Key Terms and Definitions for CGAP's definition of resilience.
[62] We are adopting the OECD's definition of fragility, which includes six dimensions: economic, environmental, political, security, societal, and human.
[63] OECD. 2022. States of Fragility.
[64] The Global Findex Database.

4.3 Mobilizing financial services for women and MSEs to capture economic opportunities

There are four primary focuses under the "Mobilizing financial services for women and MSEs to capture economic opportunities" outcome area

Exploring how financial services can enable small-holder farmers and MSEs to adopt agtech innovations that improve food security

Understanding how to accelerate the maturity and replication of fintech finance models for MSEs

Exploring solutions to address the gendered social norms that hamper financial inclusion for women

Convening and expanding the FinEquity community of practice to share experience and globally influence stakeholders to advance women's economic empowerment through financial inclusion

Figure 18

This outcome area centers on expanding knowledge on solutions, business models, and policies that enable financial inclusion of lower income segments to effectively contribute to inclusive economic growth and women's economic empowerment (see Figure 18). Our work will focus on financial inclusion for MSEs in agrifood systems,[65] as well as the retail trade sector, since MSEs globally account for more than 50 percent of employment and provide seven out of ten formal jobs in emerging markets.[66] However, MSEs are constrained in access to working capital to operate their businesses and capital to invest for growth. (The IFC estimates an annual MSE credit gap of US$5.2 trillion.) Throughout this work, CGAP will have a specific focus on women-led MSEs while also developing a project specifically focused on women's economic empowerment through financial inclusion.

First, CGAP will investigate innovative financing solutions for MSEs in agrifood value chains to improve their growth and contribute to food security. Growth in the agriculture sector has proven to be more pro-poor than growth in any other sector in developing economies[67] and the agriculture sector plays a key role in helping economies achieve improved food security. Bridging the gap in access to working capital in the sector can enable more people to acquire inputs. At the same time, more access to capital can support investments in improving productivity—measures that would improve yields and productivity, increase and stabilize incomes, and contribute to food security. Building on our past work, CGAP will assess the potential of emerging agtech solutions for smallholders and agricultural micro and small enterprises (agriMSEs), especially women-led enterprises and female small-holders, to adopt the most promising innovations that lead to more productive and sustainable agrifood systems.

Second, CGAP will study how to scale innovative finance for MSEs in retail trade. Leveraging ongoing work on innovative finance for retail MSEs, CGAP will aim to accelerate the maturity of promising fintech

[65] Food systems are "the sum of actors and interactions along the food value chain—from input supply and production of crops, livestock, fish, and other agricultural commodities to transportation, processing, retailing, wholesaling, and preparation of foods to consumption and disposal. Food systems also include the enabling policy environments and cultural norms around food. Ideal food systems would be nutrition-, health-, and safety-driven, productive, and efficient (and thus able to deliver affordable food), environmentally sustainable and climate-smart, and inclusive." International Food Policy Research Institute (IFPRI).
[66] World Bank Group. Small and Medium Enterprises (SMEs) Finance.
[67] Alain de Janvry and Elisabeth Sadoulet. February 2010. Agricultural Growth and Poverty Reduction: Additional Evidence. The World Bank Research Observer, Volume 25, No. 1.

finance models and their replication in key markets. This would involve a focus on identifying barriers and solutions to scale, viability, and replicability. CGAP will also continue its work on successful digitization approaches that enable microfinance providers to scale and diversify their offerings to MSEs.

Third, CGAP will conduct advanced research and practical experimentation on frontier issues related to women's economic empowerment through financial inclusion. Across the world, gendered social norms prevent equitable access to financial services for nearly 742 million women. We will build on our work on how social norms hamper meaningful financial inclusion for women in order to explore effective solutions to address them. Additional topics of research will be considered in the latter part of the strategy cycle. Throughout this work, CGAP will continue to convene FinEquity, the premier community of practice for knowledge sharing on women's economic empowerment that reaches over 6,000 people globally.

4.4 Increasing breadth and depth of financial inclusion

There are two primary focuses under the "Increasing breadth and depth of financial inclusion" outcome area

Developing and testing multisectoral approaches to close gender gaps in access to and use of financial services

Leveraging data to catalyze financial services that can reach poor people at scale

Figure 19

This intermediary outcome area focuses on advancing the breadth and depth of financial inclusion to fill remaining gaps in access to and use of financial services around the world (see Figure 19). As previously discussed, gaps remain in both the breadth and depth of financial inclusion. In some countries, entire segments of poor and vulnerable populations are still without any access to financial services. Among those with access, many only use financial products to move money or make basic payments. Women are particularly excluded, which limits progress toward women's economic empowerment. Bridging all of these gaps will require efforts to overcome supply- and demand-side barriers to offer poor, vulnerable, and underserved segments a variety of products and services that help them prosper and build resilience.

As part of this work, CGAP will test a new country-based multistakeholder approach to enhance women's financial inclusion. Leveraging ongoing work, we will develop and test a country-level approach that aims to close the gender gap in access to and use of financial services to create a demonstration model for other countries. As part of the approach, CGAP will work with governments and other in-country stakeholders, as well as development partners, to identify the root causes of gender-based financial exclusion, including social norms. On that basis CGAP will develop a multistakeholder action plan to remove barriers in regulation, improve financial institutions' capabilities to serve women, improve products and services models, and address other challenges and harness opportunities. The approach will aim to coordinate and synchronize efforts across government, industry, civil society, and funders so inclusion efforts for women are long-lasting and impactful. In other words, the creation of financial account access would contain mechanisms that allow women to transcend the constraints they face and take steps toward their empowerment. If the approach shows evidence of success, it could serve as a blueprint for closing gender gaps (and, potentially, exclusions other segments face) in other countries.

CGAP will also support the development of robust data sharing ecosystems to enhance the use of data to unlock access to more financial services for excluded segments, thus expanding the depth of financial inclusion. As women and other harder-to-reach segments are increasingly digitally included, they begin to create data trails. With an enabling inclusive data ecosystem, FSPs can use this data to unlock access to credit, insurance, and other products. As such, CGAP will work to accelerate the development of inclusive data ecosystems through market-level data sharing initiatives like open finance.[68] This will include understanding best practices for the design of inclusive data ecosystems, enabling regulatory environments, and supporting infrastructure. It will also include documenting lessons from countries with more developed data ecosystems and working with FSPs to demonstrate how data can advance the availability, quality, and fit of financial products.

[68] See Key Terms and Definitions for CGAP's definition of open finance.

4.5 Promoting responsibility in financial ecosystems and enabling financial sector policies and regulations

This foundational outcome area fosters the development of responsible financial sector policies and regulations that enhance financial inclusion (see Figure 20). The work will generate insights, frameworks, and guidance on frontier issues for financial authorities, funders, and FSPs, with a strong focus on digital innovations.

A primary focus will be on frontier regulatory issues. Financial authorities face new challenges due to the rapid growth of new financial sector players, including fintechs and bigtechs; the rapid expansion of central bank digital currencies (CBDCs) and crypto assets; and other digital developments affecting the financial sector and financial inclusion. Building on our previous research, we will focus on understanding how financial authorities can best respond to disruptive financial innovations in a manner that supports financial inclusion yet mitigates risks.

Second, given the numerous global crises affecting the world, CGAP will explore the implications of crisis policy responses for inclusive finance. Historically, financial authorities and institutions have reacted to financial crises with a range of measures. Their objective is to maintain financial stability and at times sustain the flow of private credit or support existing customers. Based on assessment measures put in place during past crises, we will explore what has worked well (or has not) for financial inclusion—and potential trade-offs.

Third, we will continue our work aimed at understanding consumer risks in digital finance and developing solutions to build responsible digital finance ecosystems. CGAP will conduct further in-country research to monitor the development of digital finance-related risks, explore solutions to mitigate them, and develop guidance for regulators and supervisors.

There are six primary focuses under the "Promoting responsibility in financial ecosystems and enabling financial sector policies and regulations" outcome area

- Exploring how financial authorities can safely harness the potential of disruptive transformative innovations for financial inclusion
- Exploring how financial authorities can manage tradeoffs between financial inclusion and stability and integrity during financial crises
- Identifying practical solutions to address consumer risks in digital credit
- Understanding the key elements of an effective, responsible digital finance ecosystem
- Exploring how financial authorities can design and implement effective frameworks to collect, manage, and use supply-side gender-disaggregated data to close the gender gap in financial inclusion
- Understanding the influence gender norms have on policy and regulation in the financial sector

Figure 20

This will inform our ongoing work to help countries build responsible digital finance ecosystems that effectively identify, mitigate, and reduce consumer risks.

Finally, CGAP will explore options to ensure financial sector policies are gender informed. The work will include developing guidance for financial authorities to collect and use gender-disaggregated data to inform and enable gender smart policy decisions. It will also explore how gendered social norms can influence financial sector legislation and regulation—and how such biases can be mitigated.

4.6 Enhancing the effectiveness of impact investing in inclusive finance and the inclusiveness of carbon markets

Recognizing that this is a relatively new area of work for CGAP, this foundational outcome area will have a targeted focus on incentivizing responsible private investment in inclusive finance that meaningfully impacts financial inclusion (see Figure 21). The rapid increase in ESG and impact investment volumes in recent years, including toward inclusive finance, offers a real opportunity to achieve development outcomes linked to financial inclusion. However, to achieve these outcomes, there is a need to ensure investments are directed to where they can have the most impact, particularly for people living in poverty and MSEs.

There are three primary focuses under the "Enhancing the effectiveness of impact investing in inclusive finance and the inclusiveness of carbon markets" outcome area

Identifying best practices in impact measurement to achieve greater impact in inclusive finance impact investing

Understanding and mitigating the potential unintended consequences of new climate-related policies and regulations on financial inclusion while ensuring attainment of climate objectives

Exploring the role financial services can play in enabling low-income people to leverage carbon markets to realize the benefits of carbon removal

Figure 21

To enhance the effectiveness of ESG and impact investing in inclusive finance, CGAP will explore best practices in impact measurement and management (IMM). Despite numerous frameworks and standards for IMM, many agree that more needs to be done to ensure a real focus on outcomes rather than, for example, on the reach of financial services. Leveraging our experience in impact measurement and a long history of working with investors, CGAP's initial work will focus on identifying best practices and pushing the frontiers of impact measurement indicators and practices for inclusive finance investments.

CGAP will also assess the potential unintended consequences supervisory and regulatory approaches to climate-related risks have on financial inclusion. In the context of intensifying climate risks, supranational standard setters, industry bodies, and national regulators have been putting in place an array of standards, definitions, and regulatory and supervisory approaches to understand and limit climate risks to financial sectors and drive financial portfolios toward green counterparties and investments. With clear climate-related imperatives in mind, they have not always taken place with a full understanding of the possible unintended consequences they could have on inclusive finance and financial inclusion. Leveraging CGAP's reputation as a credible neutral voice, we plan to assess the potential unintended negative consequences of climate-related financial sector regulatory approaches. We also plan to explore whether proportionality in national-level regulation can enable climate objectives achievement while mitigating potential negative impacts on financial inclusion.

Finally, CGAP will focus on building an understanding of how financial services can enable poor and

vulnerable communities to leverage carbon markets. The reduction of carbon emissions has become a global imperative and voluntary carbon markets (VCMs)[69] are poised to become a US$30–50 billion industry by 2030. VCMs remain at a nascent stage despite steady growth, regulatory guidance,[70] and new standards by the Taskforce on Scaling VCMs. Given that approximately 70 percent of the world's poor people rely on natural environments (farmland, forests, woodlands, wetlands, etc.) for their livelihoods, there is the opportunity for them to benefit from carbon markets by engaging in nature-based solutions and selling the subsequent carbon offsets. However, many obstacles remain to setting up effective VCMs for people living in poverty. Leveraging CGAP's deep technical expertise in agriculture, rural livelihoods, and clean energy financing, we aim to bring a pro-poor angle to markets that are still not efficiently serving these communities and to better understand how innovative solutions enabled by inclusive financial services can benefit low-income households and communities.

[69] As opposed to compulsory carbon markets government mandates on industry.
[70] Article 6 of the Paris Accord.

4.7 Generating and promoting evidence of what works, where, and for whom

Our final foundational outcome area aims to build a nuanced understanding of the impact evidence for financial inclusion (see Figure 22). We will landscape, curate, and generate evidence on what works in inclusive finance and under what circumstances. It is well understood that access to and use of financial services does not guarantee positive impacts. The evidence to date shows that the same set of financial services can have a different impact on various customers, depending on their context. Given these persistent unknowns, there is the need for a new, holistic evaluative research and measurement approach to identify the range of contextual factors that influence whether financial services impact is positive, negative, or neutral. CGAP's work will develop, pilot for some customer segments and financial services, and showcase this new evaluative research and measurement approach. It will start with microcredit then crowd in other organizations to apply the approach to other services and segments. We hope the work will also contribute to enhancing the effectiveness of microcredit and calm the recurring global debate on whether it has a positive or negative impact on people living in poverty.

There is a single primary focus under the "Generating and promoting evidence of what works, where, and for whom" outcome area

Articulating pathways and curating the associated evidence on how financial inclusion contributes to higher-level development outcomes and identifying sector-wide indicators for enhanced outcome measurement

Figure 22

In parallel, CGAP will revisit the broad landscape of evidence on financial inclusion outcomes to generate a deeper understanding of the existing evidence and articulate the pathways through which financial inclusion achieves higher-level outcomes (e.g., resilience, food security, climate change adaptation). The approach will build on CGAP's previous impact and evidence work by centering outcomes rather than individual financial services (e.g., credit, insurance, etc.) as the starting point for the research. This landscaping will be followed by the development of road maps for addressing areas with evidence gaps.

5

Operationalizing CGAP VII

To further increase our impact, as part of CGAP VII we will place an even stronger focus on partnerships, audiences, influence, and results. This will be achieved through a series of important improvements to how we work, informed by the results of the CGAP VI Independent Strategic Evaluation. Overall, the evaluation found that CGAP's operations have largely been successful in achieving influence in the financial inclusion community: "[I]n a fast-evolving financial inclusion ecosystem, CGAP's work has remained relevant to its most important stakeholders. In the role of an impartial, unbiased, authoritative voice that champions a pro-poor perspective, CGAP reaches many of the sector's most senior leaders."

To further enhance the way we work, we will implement improvements based on five recommendations from the Independent Strategic Evaluation, including:

- Develop and articulate a clear, simple, and brief impact narrative on CGAP's priorities and interventions for external audiences that is consistent with its TOC
- Develop and deepen relationships and partnerships in emerging countries in the Global South to remain both relevant and influential in the sector
- Develop high-level, long-term partnerships and relationships (that last beyond projects) with select organizations that have reach and influence with actors in multiple developing countries, and help these organizations pass on CGAP's insights and lessons to those actors
- Sharpen and refine how CGAP exerts influence
- Improve knowledge management

CGAP developed a Management Response and Action Plan in response to these recommendations (see Annex 3). Over the past year, we have made significant progress in implementing the plan, including planning for the improvements described below.

At both project and corporate levels, we will explore new partnership and membership models and ways to enhance our presence, collaboration, and influence on the ground. To do so, we will work through four types of partners: members, project partners, global and regional corporate partners, and affiliate partners. In previous strategy cycles, CGAP predominantly worked with our members and project partners. The CGAP VI Independent Strategic Evaluation found that CGAP's regional engagement model could be more effective with a systematic approach to in-market partnerships. As such, we will explore two new partnership modalities, resources allowing: strategic regional or global partners and affiliate partners. Formalizing such long-term strategic partnerships will allow CGAP to (i) expand our reach, amplify insights, and help inclusive finance actors enhance their impact, (ii) efficiently gather up-to-date, local insights and data on financial inclusion, and (iii) potentially unlock funding from local and global sources looking to support decentralized, in-market programming. Within these new partnership modalities, we anticipate working with four categories of partners:

1. **Our members.** We will continue to work closely with our members (mostly development funders), who are stakeholders in the financial inclusion global space, for greater impact, including strong collaboration with the World Bank Group in line with the evaluation's recommendations. We will also work to elevate the voices of private sector organizations and foundations from developing economies as potential new members.
2. **Project partners.** We will continue to build on our strengths in working closely with a range of project partners (both private and public sector), including members, to learn, generate, and share knowledge toward specific time-bound project objectives.
3. **Global and regional strategic partners.** To help scale and expand our influence, we will develop and maintain a roster of global and regional strategic partners that share our long-term commitment to inclusive financial services and could help inform and disseminate our work. These partnerships will be critical in bringing CGAP's global knowledge to the regional level in a customized manner. Resources permitting, this would include an annual symposium that brings partners together to explore work program synergies and exchange knowledge.
4. **Affiliate partners.** Affiliate partners would enter into a more formalized long-term partnership with CGAP. They would be competitively selected and backed by funding and legal agreements with agreed-upon deliverables. This type of partnership would require dedicated resources that CGAP would raise under a Recipient Executed World Bank funding umbrella. It would enable CGAP to significantly improve the scale of our influence and impact (see Annex 4 for budget scenarios). For example, one such partner could host the FinEquity community of practice with the objective of ascertaining sustained FinEquity financing while maintaining CGAP's thought leadership and strategic oversight. The host would have to meet certain standards and requirements set in the bid, including a presence or partners in Africa and Latin America, where FinEquity is well established.

We will also continue to strongly target our work on the ground by placing thematic learning agendas at the center of our country selection approach. Placing learning agendas at the heart of our in-country work is essential as the work aims to identify innovative policies, practices, and approaches others can learn from. In selecting locations for our work, CGAP focuses on countries where the most relevant knowledge can be learned. When possible, we endeavor to represent low-income economies in our work to reflect the diversity of in-country financial inclusion policies, practices, and approaches. In order to explore learning agendas in many locations, we consider which countries are the most appropriate reference countries for others to learn from. Ideally, we select those that can serve as a reference country for multiple types of countries and stakeholders. Similarly, when disseminating knowledge, we focus on countries where we have the greatest likelihood of influence or impact, in addition to supporting our partners in their own in-country work by sharing our knowledge with them. In all cases, we endeavor to tailor knowledge to different groups of countries and various audiences.

To respond to recommendations in the CGAP VI Independent Strategic Evaluation, we have implemented a series of other operational changes around CGAP's structure, market intelligence, and results management. First, we restructured CGAP around its main outcome areas to align staff incentives and work with our main objectives. We are also filling in staff skills gaps through recruitment (e.g., insurance) or executive training (e.g., investments), and strengthening the regional presence of our staff (slightly increasing our current staff presence of 30 percent based outside of Washington, D.C.) and local consultants. Further, we will establish a new market intelligence function to bring relevant and actionable member and market intelligence and contribute to ensuring CGAP remains a forward-looking agenda setter for the sector. As part of that work, we will continue the CGAP Cross-Border Funder Survey to estimate international funding for microfinance and financial inclusion.[71] We will also establish an internal knowledge management system aimed at fostering greater knowledge exchange, brainstorming, and creativity within CGAP. Finally, all projects will undertake a systemized approach to scaling impact throughout the project cycle, notably through the development, delivery, and monitoring of project-level Influence and Results Strategies.[72]

In operationalizing this strategy, CGAP will need to make trade-offs between competing priorities. With the ever-increasing complexity of today's world, the scope of work is immense, and the multitude of potentially relevant topics is constantly growing. We will need to carefully manage and deploy resources to ensure that CGAP is able to effectively operationalize the CGAP VII Strategy while remaining relevant. To aid the prioritization process, we conducted an exercise to identify a "base case" and a "high case" budget scenario. Under the base case, CGAP will be able to achieve the work program as presented in this strategy document. The resource requirement for the CGAP VII base case is estimated at US$130 million over the full five-year period, or US$26 million per year. However, as noted, the scope of work is immense and working in partnership with others will be critical for enhanced impact at scale. As such, the high case budget scenario, estimated at US$155 million over the five-year period, or US$31 million per year, accounts for additional partnership expansion through the affiliate partner model, an annual symposium with corporate strategic partners, and further decentralization modalities.

CGAP will continue to work closely with our members to implement the CGAP VII Strategy. As a donor consortium with more than 30 development partner members, CGAP's ability to deliver relies heavily on the financial and programmatic commitments of our members. Furthermore, CGAP's members have a range of expertise and experience across different thematic areas, including gender, climate, etc., and are well placed to help guide and inform CGAP. With and through our members, CGAP can catalyze change, scale efforts, and make financial markets work better for low-income people. The proposed activities, as outlined in the base case and high case budget scenarios, will therefore be shaped by the level of funding from and engagement with CGAP members. Recognizing that risks are inherent during a time of competing global priorities, CGAP is making efforts to mitigate those risks by exploring ways to expand our membership base.

CGAP recognizes there are several risks to the effective implementation of the proposed five-year strategy. CGAP continues to identify and manage risks in a risk register that outlines strategic, financial, governance/stakeholder, operational, and reputational risks. Each risk is analyzed based on the probability of occurrence and the potential impact on CGAP. The register also outlines the consequences of these risks materializing and CGAP's mitigation strategies. It is regularly updated, and risks are monitored so CGAP can plan risk mitigation in real-time, reduce negative impacts on our operations, and provide a basis for informed decision making. The register was most recently updated in April 2023 for CGAP VII. The update will serve as a guide for CGAP VII's first year.

[71] The CGAP Cross-Border Funder Survey is the most comprehensive resource available on international funding for microfinance and financial inclusion.
[72] Influence and Results Strategies are internal CGAP documents that guide project teams throughout the project lifecycle with the objective of maximizing project impact.

6

CGAP VII Monitoring and Evaluation

CGAP is putting in place a comprehensive M&E and learning system for CGAP VII. At its heart is a theory of action (TOA) that articulates CGAP's specific contributions to the larger sector-level theory of change previously described (see Section 2.4). The model will be complemented by key assumptions behind the expected contributions of CGAP's interventions to financial inclusion and our intended outcomes.

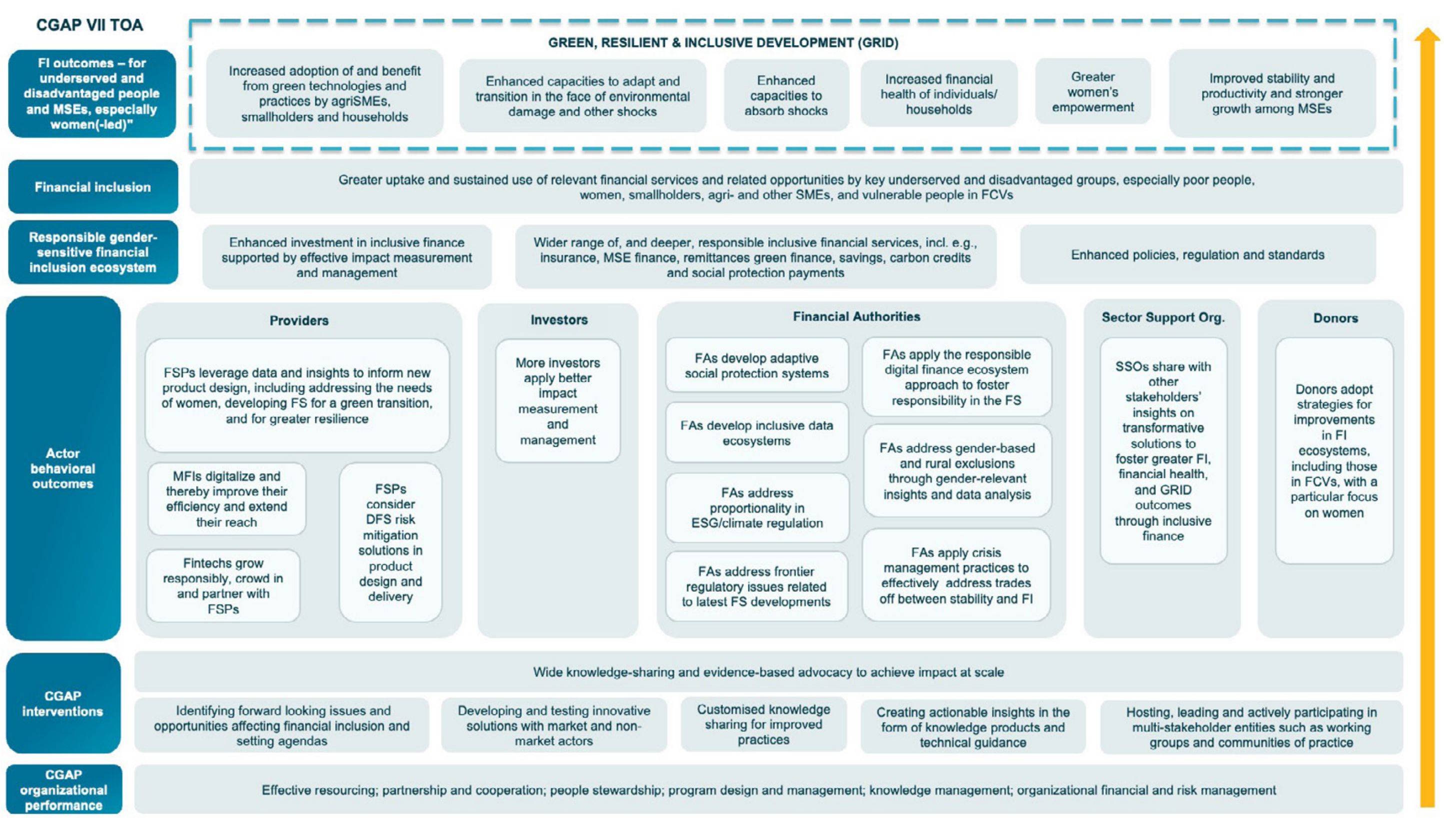
The TOA will summarize the positive changes CGAP expects to influence and how we plan to do so. It will be both a guide in the formulation of projects and a platform for the M&E of CGAP's work. Since CGAP operates in a dynamic environment, as we progress through CGAP VII the TOA will undergo regular reviews and updates, as necessary, in light of our experience operationalizing the strategy and the shifting external contexts that CGAP and the wider financial inclusion community navigate. Figure 23 shows the current version of the TOA. Since our work often involves influencing change in complex environments, its impact at the inclusive financial ecosystem level may only be seen in the long term—beyond the current five-year strategy period.

The CGAP VII TOA and our results framework are based on what we expect to learn throughout CGAP VII and will help steer what we monitor and evaluate. M&E will be carried out at both the corporate and the project level. CGAP will affect an overarching corporate results framework that will enable monitoring and reporting trends across the portfolio and beyond. The framework will track data on indicators for:

- The sector as a whole
- Behavioral outcomes for key actor groups CGAP aims to influence
- CGAP's own interventions
- Key aspects of CGAP's resourcing and organizational performance

The sector-level results framework will consist of indicators that align with CGAP's seven outcome areas (see Section 4) and are currently collected across the sector through periodic surveys such as the Global Findex. As such, the indicators will plot sector trends (i.e., not CGAP's specific contributions). Relying on this data presents challenges, however. Currently, most of these data sources focus on access, usage, and the enabling ecosystem. They provide very little data on customer outcomes (e.g., the extent to which users of financial services are capturing economic and green

Figure 23. The CGAP VII theory of action is a living document



opportunities and building resilience). As mentioned in Section 2.4, in CGAP VII we will aim to develop a consensus on which customer outcome indicators are both important and feasible for sector-wide data sourcing. For this reason we expect the sector-level results framework to continue to evolve throughout the strategy period.

The behavioral outcomes in the CGAP results framework are those CGAP will plausibly influence. CGAP's influence ambition varies, depending on our level of engagement with our various audiences. CGAP's impact is achieved by equipping others—both in the inclusive financial ecosystem and in other areas of development—to think and act in new ways based on insights we have generated or curated and shared. To maximize our influence and impact, CGAP takes an intentional and focused two-track approach to engagement and influence. First, we ensure that our knowledge is freely available to all by publishing it on our website and sharing insights through social media and other channels. Second, we identify and engage with those actors with the greatest ability to drive a specific change within financial systems. As such, engagement ranges from arms-length access to knowledge products and occasional events to collaborative partnerships that extend over several years. Our results framework is calibrated to reflect these differences and accordingly track our influence. (See Annex 5 for more information about CGAP's engagement and influence.)

Projects will have their own focused TOA (aka results chains) and streamlined results frameworks. Results chains and frameworks will align with the corporate TOA and results framework but will use project-specific terms. These instruments will be regularly reviewed and may be annually revised to allow for an adaptive approach to project management. Project teams will collect quantitative and qualitative results data at relevant times to supplement and enrich the corporate survey data and CGAP's biannual and annual progress reports.

Learning questions will inform CGAP's M&E and our research. Learning questions (i.e., the "known unknowns" we hope to learn more about through evidence generation) will shape CGAP's data collection and the way we convert data and information into insights. For example, we believe it is important to learn more about the key aspects of the enabling regulatory environment for financial inclusion that should be put in place in fragile countries. CGAP expects to shed light on this question through research, monitoring, and evaluation in our Inclusive Finance in Fragile Countries project.

Key learning questions will steer and shape periodic external evaluations. Pending budget availability, CGAP will consider commissioning a few selective thematic or influence group-specific evaluations during the strategy period, as well as a comprehensive midterm evaluation to inform strategic decision-making.

7 Conclusion

A phrase commonly heard over the past three years is that "we are living in unprecedented times of change." The world has experienced a significant increase in vulnerability as shocks hit one after the other. These shocks include a worldwide pandemic, the war in Ukraine and other destabilizing conflicts, deteriorating growth prospects, rising inflation, tightening financing conditions, and food insecurity, coupled with increases in extreme poverty and inequality—all ignited by ongoing climate change and loss of biodiversity. These extremely large and complex challenges require a significant amount of work by stakeholders across a variety of industries and sectors. We are convinced that inclusive finance must be an integral part of those collective efforts.

We aspire to help build a world where poor and vulnerable people are meaningfully served by responsible and inclusive financial ecosystems that enable a green, resilient, and equitable world for all. In the CGAP VII Strategy, we have described the role CGAP is best placed to play. Because the strategy covers the five-year period FY24–28 and much can change in that time, we have deliberately framed our strategic focus and vision broadly enough to allow CGAP to pivot, if and when needed, in order to continue to address the most pressing needs of those we serve. While we have outlined an initial work program, we will remain nimble and ready to strategically adjust it to address new and pressing concerns that may emerge.

We cannot achieve our vision alone. Achieving impact at scale will require partnerships and collective action from a range of public, private, and civil society organizations. We look forward to working closely with donors and investors—especially our members—policymakers, regulators, civil society organizations, standard-setting bodies, capacity building organizations, industry associations, and others to identify and advance innovative solutions and practices that help achieve meaningful impact in the lives of low-income populations through financial services.

As always, we are committed to sharing what we learn along the way.

ANNEX 1

Evolutions Throughout CGAP’s Strategy Cycles

As a dynamic organization working at the frontier of financial inclusion, CGAP has lived many lives since its inception in 1995. The evolutions in our work represent reactions to, and learning from, developments in the financial sector and beyond that affect financial inclusion and keeping a keen eye on the most pressing issues or promising opportunities for financial inclusion over the years. As a result, CGAP’s strategic focus, including our vision and mission, has also evolved. The CGAP VII Strategy is the culmination of almost 30 years of work.

A. Remaining at the frontier of financial inclusion: Evolutions in CGAP's vision

Since 1995, CGAP's vision has continued to evolve to help shape the financial inclusion field. Working at the frontier of financial inclusion requires CGAP to constantly explore new ways to promote financial inclusion and how financial inclusion can benefit people and economies in light of contemporary challenges and new issues. As such, CGAP's vision and the focus of our work continuously evolves. Identifying emerging needs, issues, and opportunities and (re)focusing our work on those that are most relevant is a core component of CGAP's identity.

CGAP has watched and supported as microcredit morphed into microfinance, then into financial inclusion and digital finance, and, most recently, into inclusive finance and inclusive financial ecosystems. Figure 24 shows the evolution of CGAP's high-level vision from CGAP I ("Prove the concept of microcredit") to CGAP VII ("Responsible and inclusive financial ecosystems that enable a green, resilient, and equitable world for all").

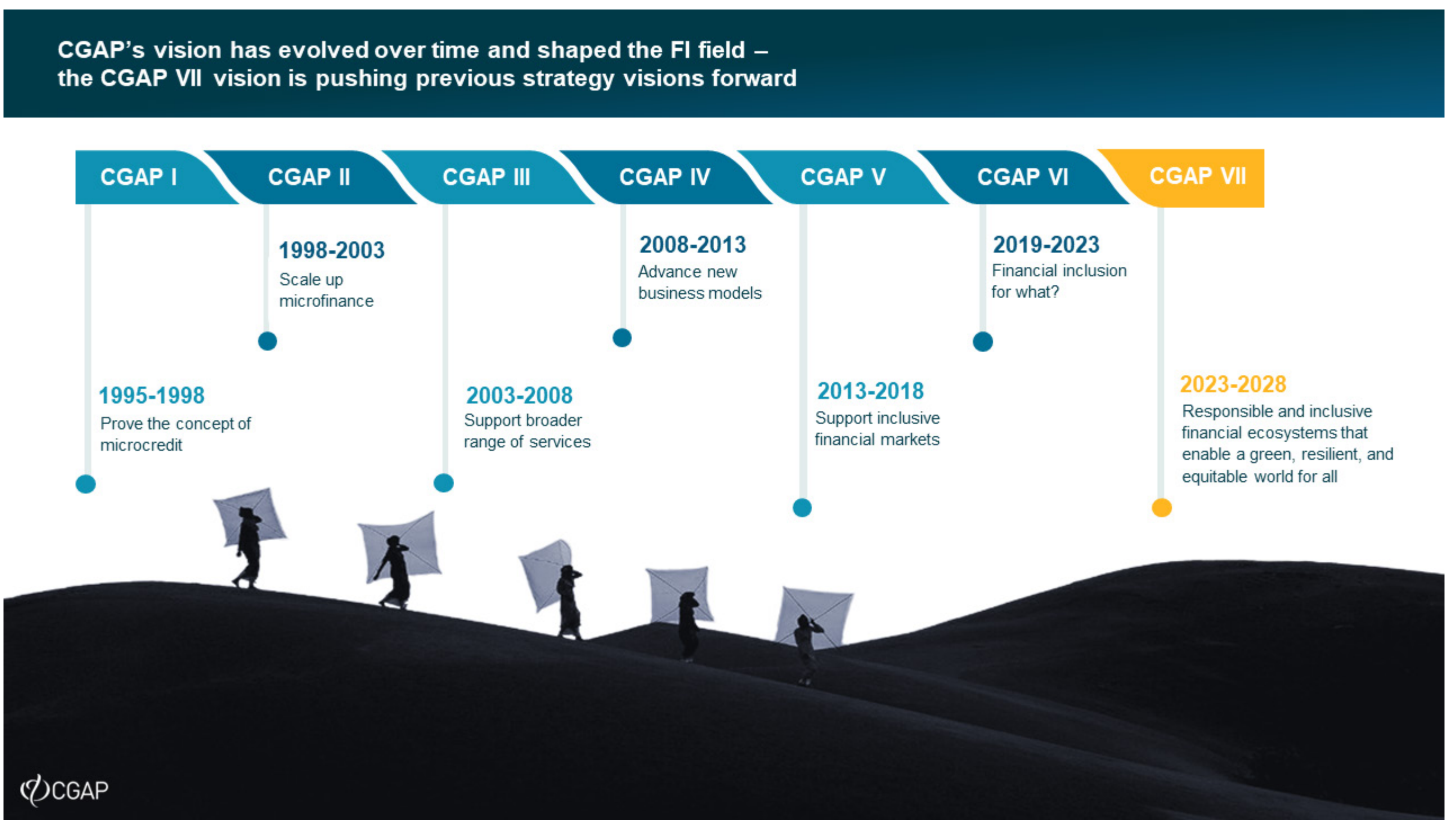
B. Refining focus throughout CGAP strategy cycles

A common element of CGAP's previous strategy cycles has been their focus on improving and scaling access to and use of the responsible financial services poor, excluded, and underserved people need to improve their lives. This is the core anchor that guides our work. As both CGAP and the financial inclusion field have evolved, so has our strategic focus. However, four components remain central to our work:

1. Understanding the financial needs of poor people (demand side)
2. Building financial market services and infrastructure (supply side)
3. Fostering an enabling policy and regulatory environment
4. Improving the effectiveness of donors and investors

Going forward, influencing the behavioral change of providers, financial authorities, investors, donors, and sector support organizations to encompass

Figure 24. CGAP's vision has evolved from CGAP I to CGAP VII



these four components remains central to the CGAP VII Strategy. The TOC for the financial inclusion industry (Section 2.4) and the CGAP VII TOA (Section 6) outline this point.

The previous strategy, CGAP VI, lays the foundation for the focuses and priorities of the CGAP VII Strategy. CGAP VI focused on positioning financial inclusion as an enabler for other development objectives via "financial inclusion for what?" Midway through the CGAP VI Strategy we began to shift from the access and use paradigm to instead focus on how financial services can help people living in poverty, especially women, to do three things: generate income, access essential services, and protect basic standards of living. The impetus of the shift was to ensure that financial inclusion not only translates into more accounts and higher transaction volumes but also into meaningful impact in people's lives. As part of the strategic shift, which took place in January 2020, we committed to focusing on women in order to address the persistent financial inclusion gender gap. We launched a project to better understand the role financial services can play in improving the livelihoods of three types of workers: women in rural and agricultural livelihoods, MSEs, and the small but growing number of platform workers. We also put gender squarely at the center of our broad work agenda by including a gender lens in projects, ramping up new research on women's financial inclusion, and developing diagnostic tools to help funders integrate gendered social norms into their programming.

The CGAP VII Strategy evolved from the CGAP VI Strategy. It maintains focus on outcomes but is grounded in today's globally challenging context: ensuring green, resilient, and inclusive development through finance for all. This does not mean the scope of work is wider, but rather that we are quite profoundly changing the way we will work to focus on higher-level outcomes more squarely. This is a cultural, operational, and analytical shift in CGAP's work.

C. How CGAP works

Similarly, the CGAP mission statement—the articulation of how we work—has evolved over the years. Figure 25 shows the evolution of our mission.

The CGAP VII mission statement highlights our primary value add to the financial inclusion industry and how we leverage our comparative advantage to maximize our impact: *"CGAP works at the frontier of inclusive finance to test solutions, spark innovation, generate evidence, and share insights. Our knowledge enables public and private stakeholders to scale solutions that help financial ecosystems meet the needs of poor,*

Figure 25. CGAP's mission has evolved since its inception

vulnerable, and underserved people and MSEs, including advancing women's economic empowerment."

The evolution of CGAP VII's vision and mission has been subject to many consultations with CGAP members and the wider industry. The feedback we received has been highly supportive. The biggest shift in the CGAP VII Strategy is anchoring outcomes in global challenges contributing to green, resilient, and inclusive development through financial services for all. It also aligns with the recent UNSGSA-led compendium that provides strong evidence that financial inclusion contributes to at least 13 SDGs.

D. Notable changes for CGAP VII

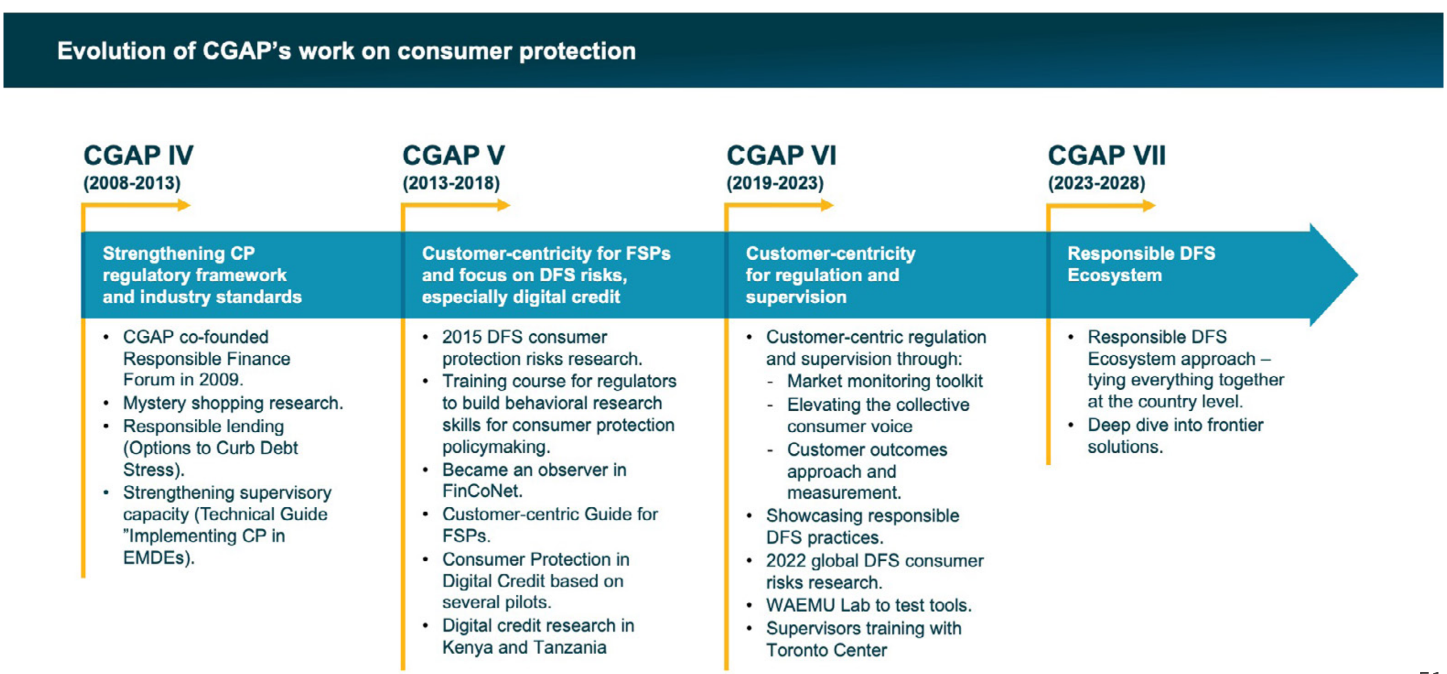
With the transition from CGAP VI to CGAP VII, we will strategically exit certain topics. This covers work that focused on building digital rails and digital public infrastructure, including our work on interoperability; cash-in cash-out (CICO) distribution systems; open APIs; and G2P. We will also exit our work focused on embedding financial solutions for platform workers and access to essential services through PAYGo solutions related to energy and education.

While CGAP is exiting these topics, it does not mean their importance has diminished. Rather, CGAP's exit represents an increased understanding of these issues by the wider financial inclusion and financial sector global community, and the need to shift from generating frontier knowledge to implementation on these topics. As topics mature and require more implementation support, CGAP passes our knowledge along to other institutions that are better placed to support implementation. This, in turn, enables CGAP to continue focusing on new and emerging topics.

Some topics have matured and need implementation support by other institutions but simultaneously contain new and emerging aspects that call for CGAP's continued focus in specific new areas. For these topics we will build on our work from past strategy cycles and focus on emerging issues. They include consumer protection, gender inclusive social norms, policy architecture, impact evidence of financial inclusion, MSE finance, ag finance, leveraging data, and open banking. For an example of how our work can evolve and call for continued focus across strategy cycles, see Figure 26, which shows the evolution of our consumer protection work from CGAP IV to CGAP VII.

Other topics are new to CGAP and have been included in our work program in light of their relevance in today's world. These topics include our ongoing work on inclusive finance in FCVs; financial inclusion for climate adaptation, resilience, and a just green transition; insurance and resilience (an area that CGAP had limited focus on during previous strategy cycles); financial inclusion in crisis times; and promoting effective private investment in inclusive finance and inclusive carbon markets. In addition, under CGAP VII we will bring everything we have learned in previous CGAP strategy cycles on women's financial inclusion to test a comprehensive approach to closing the financial inclusion gender gap. Finally, we will leverage our past work on ag finance, SME finance, and rural livelihoods to work at the nexus of financial inclusion and food security.

Figure 26. CGAP's work on consumer protection has evolved over the years



ANNEX 2

CGAP Knowledge Products Informing CGAP VII Work

Outcome Area	Work Area Informed	Title	Type of Publication	Date of Publication	Authors
Mobilizing financial services for climate adaptation, mitigation, and a just transition	This Leadership Essay explains CGAP's approach toward our work on climate change and the imperative of keeping adaptation and resilience front and center for people living in poverty.	In an Era of Urgent Climate Risk, Does Financial Inclusion Matter?	Leadership Essay, Blog	June 2022	Sophie Sirtaine Claudia McKay
Mobilizing financial services for building resilience to shocks and managing risk	This Leadership Essay is the culmination of an intensive R&D effort resulting in a synthesis deck and numerous white papers. Although those documents were not published, collectively they have had a tremendous influence on CGAP's thinking about resilience and a number of CGAP VII pipeline projects.	Let's Talk about Resilience	Leadership Essay, Blog	2021	Claudia McKay Peter Zetterli
	These seminal publications lay out CGAP's vision for expanding customer choice and provide guidance on modern G2P architecture to enable next generation G2P payments.	The Future of G2P Payments: Expanding Customer Choice Next Generation G2P Payments: Building Blocks of a Modern G2P Architecture	Reports with accompanying blogs	2019 2022	Greg Chen Joep Roest Silvia Baur-Yazbeck n/a (co-branded with G2PX)
	This flagship publication arose out of several years of work on forced displacement and financial services. It is now being incorporated into our work on fragility.	Humanitarian Cash Transfers and Financial Inclusion	Working Paper	April 2020	Nadine Chehade Peter McConaghy Chrissy Martin Meier
	This Technical Guide was CGAP's foundational publication on payment systems in CGAP VI. Although CGAP will not have dedicated work on payments in CGAP VII, multiple projects (including G2P and Inclusive Finance in Fragile Countries) will continue to build on this seminal work on building better payment systems.	Building Faster Better: A Guide to Inclusive Instant Payment Systems	Technical Guide	January 2021	Will Cook Dylan Lennox Souraya Sbeih
	This Technical Note explains how funders can support instant payment systems that are interoperable and facilitate the type of small dollar, mobile payments often made by low-income customers. It aims to help funders understand the concept of interoperability, how instant payments systems can advance financial inclusion, and what funders can do to support their development.	Interoperability and Digital Finance: Emerging Guidance for Funders	Technical Note	January 2021	Alice Nègre William Cook

Outcome Area	Work Area Informed	Title	Type of Publication	Date of Publication	Authors
Mobilizing financial services for women and MSEs to capture economic opportunities	This Reading Deck highlights emerging technological trends and fintech business models that have high potential to reach underserved MSEs with improved and responsible financial services.	The Promise of Fintech for Micro and Small Enterprises	Reading Deck	December 2022	Martin Hommes Alexander Sotiriou David Kruijff Swati Sawhney Sai Kumaraswamy Elizabeth Kiamba
	This Focus Note advocates for the importance of a segmented approach to addressing MSE needs, based on primary research conducted in India, Kenya, and Peru.	No Small Business: A Segmented Approach to Better Finance for Micro and Small Enterprises	Focus Note	July 2022	Swati Sawhney Sai Kumaraswamy Nisha Singh Elizabeth Kiamba Alexander Sotiriou
	CGAP produced this collection of knowledge products on the opportunity, value proposition, business models, and distribution infrastructure involved in digitizing merchant payments.	Digitizing Merchant Payments	Collection of Knowledge Products	2017–2019	Various
	This Technical Guide provides funders and market facilitators with practical guidance on addressing gender norms to increase financial inclusion by applying a market systems development approach.	Addressing Gender Norms to Increase Financial Inclusion: Designing for Impact	Technical Guide	October 2021	Antonique Koning Joanna Ledgerwood Nisha Singh
	CGAP's Women's Financial Inclusion Collection page provides a range of knowledge products with gender insights.	Women's Financial Inclusion: A Pathway to Women's Economic Empowerment	Collection of Knowledge Products	2020–2023	Various
	This Reading Deck synthesizes CGAP research and insights on the constraints faced by women in rural and agricultural livelihoods and the opportunities for service providers and funders to add value to their lives and livelihoods.	Financial Solutions for Women in Rural and Agricultural Livelihoods	Reading Deck	November 2021	Jamie Anderson Gerhard Coetzee Max Mattern
Increasing breadth and depth of financial inclusion	Based on analysis of open banking regimes in 12 countries, this Working Paper analyzes the critical design elements needed to help financial sector regulators and policymakers achieve financial inclusion goals.	Open Banking: How to Design for Financial Inclusion	Working Paper	October 2020	Ariadne Plaitakis Stefan Staschen
	This Technical Note offers guidance for financial, data protection, and competition regulators and authorities on how to address data protection concerns in an open finance world.	Combining Open Finance and Data Protection for Low-income Consumers	Technical Note	February 2023	David Medine Ariadne Plaitakis
	This collection of knowledge products provides an introduction to open APIs in the context of digital finance, foundations of the business for providers to adopt open approaches, and guidance on how to implement them.	Open APIs for Digital Finance	Collection of Knowledge Products	2018–2020	Various

Outcome Area	Work Area Informed	Title	Type of Publication	Date of Publication	Authors
Increasing breadth and depth of financial inclusion	This collection of knowledge products explores the way fintechs help expand the breadth and depth of financial inclusion, the way the banking sector is evolving into a modularized structure that enables more innovation and scale of DFS, and emerging business models for "banking in layers."	Fintech and the Future of Banking	Collection of Knowledge Products	2018–2022	Various
Promoting responsibility in financial ecosystems and enabling financial sector policies and regulations	This CGAP Leadership Essay explains why we need a new approach for consumer protection through a responsible digital finance ecosystem and some of the necessary conditions for this holistic approach to succeed.	Rethinking Consumer Protection: A Responsible Digital Finance Ecosystem	Leadership Essay, Blog	2022	Eric Duflos Gerhard Coetzee
	Our consumer protection collection page provides key CGAP publications that serve as foundations for our forward-looking work.	An Ecosystem Approach to Consumer Protection: What, Why and How?	Collection of Knowledge Products	2015– 2022	Various
	This blog series looks at regulatory issues of platform-based finance as one of the transformative innovations in digital finance. It covers various aspects such as competition, data protection, and how to draw the regulatory perimeter.	Platform-Based Finance: Regulatory Challenges and Solutions	Blog Series	February–April 2022	Stefan Staschen Patrick Meagher Ariadne Plaitakis
	This blog looks at CBDC from a financial inclusion perspective and raises some questions that are relevant to date— even though this is a very dynamic field.	Is Financial Inclusion a Reason to Push Central Bank Digital Currencies?	Blog	May 2021	Greta Bull William Cook Mehmet Kerse Stefan Staschen
	This Reading Deck covers a transformative innovation in digital finance and digital banks. It describes three regulatory approaches used by policymakers to regulate digital banks and lessons on harnessing their potential for financial inclusion.	Digital Banks: How Can They Be Regulated to Deepen Financial Inclusion?	Reading Deck	December 2021	Mehmet Kerse Stefan Staschen
Enhancing the effectiveness of impact investing in inclusive finance and the inclusiveness of carbon markets	CGAP provides clear guidelines for microfinance investment vehicles (MIVs) reporting to investors, and improving transparency on MIV financial performance and ESG disclosures.	Microfinance Investment Vehicles Disclosure Guidelines	Consensus Guidelines	2010	CGAP
	This Technical Guide helps support the integration of six client protection principles into the work of social investors and DFIs, and helps them encourage their investees to adopt responsible practices.	Implementing the Client Protection Principles	Technical Guide	2010	Sarah Forster Estelle Lahaye Heather Clark Antonique Koning Kate McKee
	This blog sets out six action items around responsible investment that were agreed upon at a Social Investor Roundtable event.	Six To-Dos Now for Responsible Investors	Blog	2013	Antonique Koning Kate McKee

Outcome Area	Work Area Informed	Title	Type of Publication	Date of Publication	Authors
Enhancing the effectiveness of impact investing in inclusive finance and the inclusiveness of carbon markets	This report explores how social investors can implement responsible exits from the microfinance institutions they have invested in over the years.	The Art of the Responsible Exit in Microfinance Equity Sales	Report	2014	Daniel Rozas Deborah Drake Estelle Lahaye Katharine McKee Danielle Piskadlo
	This collection page provides strategic insights on international funding flows for financial inclusion.	Trends in International Funding for Financial Inclusion	Collection of Knowledge Products	Ongoing since 2008	Various
Generating and promoting evidence of what works, where, and for whom	This blog series explores CGAP's efforts to synthesize evidence on the impact of financial inclusion, examines how measuring access and use has been necessary but not sufficient for the financial inclusion impact story, and discusses CGAP's past efforts to update the impact narrative.	Impact and Evidence in Financial Inclusion: Taking Stock	Blog series	March 2019–November 2020	Various
	This Leadership Essay examines the impact evidence around microfinance.	Friend or Foe to the World's Poor? Settling the Microfinance Debate	Leadership Essay, Blog	October 2022	Emilio Hernandez Xavier Faz
	In this Focus Note, CGAP presents an analysis of existing impact evidence and presents a new impact narrative based on an updated TOC. It also lays out the need for methodological innovation to improve our understanding of the processes of change and the contextual characteristics that shape the impact of financial services on the lives of people living in poverty.	A Research and Learning Agenda for the Impact of Financial Inclusion	Focus Note	December 2020	Silvia Storchi Emilio Hernandez Elizabeth McGuinness
	This Focus Note examines evidence on financial inclusion from 2014–2019. It applies a wide and inclusive lens that spans all product categories and research methodologies.	Emerging Evidence on Financial Inclusion	Focus Note	July 2019	Mayada El-Zoghbi Nina Holle Matthew Soursourian

ANNEX 3

Management Response and Action Plan to the CGAP VI Independent Strategic Evaluation

March 2023: Update on Progress

The CGAP VI Independent Strategic Evaluation was a multiyear effort conducted from February 2020 to June 2022 for CGAP VI. The evaluation was conducted by Dalberg Advisors and guided by a Steering Committee comprised of four representatives from CGAP's ExCom.[73] It was comprised of a series of assessments, including seven project deep dives, seven influence maps, a strategic relevance and scalability assessment, and a final synthesis report. The matrix table in this annex presents CGAP's management response to the final synthesis evaluation report, which was presented and discussed at CGAP's annual governance meeting held in Paris in June 2022, along with a progress update as of March 2023.

[73] Jason Lamb (BMGF), Fernando Maldonado (USAID), Maha Bahou (At-large ExCom member), and Bindu Ananth (At-large ExCom member).

CGAP thanks and acknowledges Dalberg Advisors for their thorough work in preparing all Independent Strategic Evaluation deliverables. We appreciate that the evaluation required not only deep knowledge of evaluation methods and of the financial sector, but also an understanding of CGAP's place within the broader financial ecosystem, our unique membership structure, and our position being housed as a trust fund under the World Bank.

Overall, we welcome the findings of the evaluation and agree with the recommendations. We are pleased to receive the positive findings and will continue to leverage them going into CGAP VII. We are equally thankful to the Dalberg evaluation team for identifying strategic areas that we can leverage to improve CGAP's overall influence and impact in the sector going forward.

Specifically, CGAP values the overall evaluation findings that highlighted "the CGAP Difference," i.e., that "CGAP enjoys entrenched and cross-cutting credibility among all stakeholder groups in the financial inclusion ecosystem, a position that is rare. It derives this credibility by consistently taking strong, independent positions that champion a pro-poor and women-centric agenda that is strongly aligned to its mission. Its credibility is also enhanced by its 'think-and-do' approach of in-country learning and on-the-ground insights and solutions. This approach has, over time, led CGAP to develop a deep and unique base of intersectional, topical (e.g., agricultural economics or gender), and technical (e.g., fintech product development) expertise that market actors value and senior decisionmakers trust."

The Independent Strategic Evaluation provided useful recommendations for CGAP's future work and how CGAP can (i) become a more effective agenda setter, (ii) increase the adoption and implementation of our insights more widely, especially among market and nonmarket actors in developing countries, and (iii) maintain our positioning and quality as a global knowledge organization by strengthening and improving our internal learning machine. In the matrix table below, we summarize the Independent Strategic Evaluation recommendations and offer our responses, along with a progress update.

Independent Strategic Evaluation of CGAP VI: Management Response Matrix to Evaluation Report

Strongly on-track | On-track, more to do

1. To become a more effective agenda setter, CGAP should consider:

Recommendation 1: Develop and articulate a clear, simple, brief impact narrative on CGAP's priorities and interventions for external audiences, which is consistent with its TOC.

Management Response: Agree. We take note of the confusion created by the recent changes in direction, and we commit to clearly and consistently a clear narrative that sets a clear agenda for the sector. We agree that a crisp, one-page narrative that builds off CGAP's TOC, and which serves as a communications tool for external audiences and a prioritization tool for staff is an important step to clear confusion and anchor ecosystem stakeholders. It could be through a summary version of our TOC, or through a crisp narrative about what we hope to achieve and how. As noted in the evaluation report, we have already started this work as part of the development of the CGAP VII Strategy. In addition, to increase our ability to be an agenda setter for the sector we also commit to strengthening our ability to identify emerging trends relevant for financial inclusion. We will seek to do so through investing in a strategic R&D program, and a market intelligence function to continuously scrutinize market developments.

Key Action (as of June 2022)	Timeframe	Responsible unit(s)	Progress as of March 2023
Develop and communicate, clearly and consistently, a narrative setting goals and a clear vision for CGAP and for the sector	By June 2023	CGAP Leadership Team (LT), Front Office	Underway. The CGAP VII Strategy includes a clear vision of financial inclusion's role going forward and what CGAP and the sector need to accomplish to fully leverage financial inclusion's potential. Dissemination and convening around this vision and industry-wide goals will be part of the CGAP VII Strategy launch.

Maintain a strategic R&D program to remain visionary and an agenda setter, combined with an explicit risk-taking approach acknowledging that R&D activities cannot all lead to impactful developments	As part of CGAP VII. FY24 (ongoing)	CGAP LT	The CGAP VII FY24 work plan includes a strategic R&D program that focuses on frontier topics in financial inclusion, including on carbon markets, financial inclusion and food security, impact measurement in inclusive finance, and the unintended consequences of climate-related regulations. In addition, we will keep an annual unallocated budget to be able to add R&D on emerging issues.
Create a light-touch market intelligence function to continuously scrutinize market developments, including by leveraging CGAP staff, its funders and consider a new affiliate network (see below), and define a maturity model to exit topics that have been mainstreamed by others or are no longer relevant for CGAP	As part of CGAP VII. FY24 (ongoing)	CGAP LT	We have created a new Partnership Unit which will optimize partnership and membership models and market intelligence.
Recommendation 2: Developing and deepening relationships and partnerships in emerging countries in the Global South to remain both relevant and influential in the sector.			
Management Response: Agree. To remain on top of relevant priorities and development for the sector and, by doing so, remain a credible relevant agenda setter for the sector, we will expand our partnerships and presence in the global south (incl. new funders, an affiliate network, and further decentralization of our staff).			
Key Action (as of June 2022)	Timeframe	Responsible unit(s)	Progress as of March 2023
Expand our partnerships and our presence in the Global South (incl. consideration of new funders, an affiliate network, and further decentralization of our staff)	As part of CGAP VII. FY24 (ongoing, pending sufficient budget)	CGAP LT	We are proactively managing this initiative through the new Partnership Unit. In addition, we are examining a new affiliate model that we hope to pilot with FinEquity.
2. To increase the adoption and implementation of its insights more widely, especially among market and non-market actors in developing countries, CGAP should consider:			
Recommendation 3: Developing high-level, long-term partnerships and relationships (that last beyond projects) with select organizations that have reach and influence with actors in multiple developing countries—and helping these organizations pass on CGAP's insights and lessons to those actors.			
Management Response: Agree. We recognize that the financial inclusion sector has evolved, and that the number and variety of organizations that provide support to country level market and non-market actors has increased significantly in the last decade. At the same time, regulators, and funders have become more multidimensional and sophisticated. We appreciate the evaluation finding that CGAP has continued to hold its own as the industry's go-to knowledge hub in this evolving industry landscape, and that it is seen in a positive light by funders, regulators, FSPs, and support organizations alike. We recognize that key elements of CGAP's value add is, on the one hand, to be an agenda setter, and on the other hand, to leverage members and strategic partners to scale up insights and solutions through them. Therefore, we will strengthen strategic high-level, long-term partnerships and relationships with members and wholesaler/implementation organizations.			
Key Action (as of June 2022)	Timeframe	Responsible unit(s)	Progress as of March 2023
Convene relevant financial inclusion stakeholders to identify and coalesce around important strategic agendas, priorities for the sector, and important messages that we can reinforce together by establishing regular coordination points and sharing views on sectoral priorities and areas for joint advocacy or work	As part of CGAP VII. FY24 (ongoing)	CGAP LT	Ongoing. We have had many strategy consultations (e.g., at the Luxembourg microfinance week) to convene the sector around a shared strategic vision as part of the CGAP VII Strategy development process and will continue this work as part of CGAP VII. We will also have dedicated discussions with our members, for example during CG meetings, on collaborating to achieve greater impact together.

Strengthen our relationship and coordination with the WBG, our other members, and other large wholesaler/implementation agencies to maximize the extent to which our insights and lessons are scaled up in the sector through our partners and beyond (e.g., by regularly organizing targeted dissemination events on relevant CGAP findings)	Ongoing	CGAP Operational Team	Ongoing. The Partnership Unit is coordinating collaboration and knowledge sharing to CGAP members, and new initiatives in the CGAP Front Office will support further coordination with key WBG teams. Additionally, technical teams continue to engage with WBG counterparts as and when relevant (e.g., through the FCI Knowledge Week).

Recommendation 4: Sharpening and refining how CGAP exerts influence.

Management Response: Agree. We appreciate the evaluation team's recognition of CGAP's increasing effectiveness of its approach to exerting influence. These efforts have included 1) the development of project influence strategies, 2) new initiatives by the communications team (e.g., doubling down on podcasts and multimedia knowledge products, which have shown to be effective), and 3) an increasing focus on publishing a whole-of-CGAP perspective that synthesizes viewpoints on key financial inclusion topics and debates from various projects. Building on these efforts, CGAP will continue to strengthen its influence by 1) strengthening the results orientation of our Theory of Change, and 2) developing Influence and Results Strategies for all new projects, aligned with the CGAP VII Theory of Change. This will help ensure that influence and results are carefully considered from the start of a project and is used regularly by project team as a results compass.

Key Action (as of June 2022)	Timeframe	Responsible unit(s)	Progress as of March 2023
Strengthening the results orientation of our Theory of Change, including identifying the various audiences CGAP needs to influence and the behavior changes CGAP needs to foster in order to achieve its expected outcomes	By July 2022	CGAP Front Office	The CGAP VII Strategy includes a prototype TOC which we will further develop with industry stakeholders as part of a new project on Evidence and Measurement of FI impacts. For CGAP's own work, we have developed a TOA which we will continue to strengthen in the first year of CGAP VII as our projects take shape.
Develop new and enhanced Influence and Results Strategies for all new projects (incl. the new Inclusive Finance in Fragile Countries (IFFC) Project, and Climate Resilience and Adaptation through Financial Services Project projects), aligned with our Theory of Change, and use them as a compass throughout the life of our projects	Piloting new approach as part of IFFC and the Climate Change projects to be mainstreamed as part of CGAP VII.	CGAP Front Office, CGAP Comms, and project leads	A new project development process and templates for CGAP VII projects have been developed and socialized within CGAP in September 2022. The process includes a new Results and Influence Strategy for projects, which has already been tested on two projects.

3. To maintain its positioning and quality as a global knowledge organization, it is critical for CGAP to strengthen and improve its internal learning machine.

Recommendation 5: Improve knowledge management.

Management Response: Agree. We recognize that both informal and formal knowledge sharing has been affected by the COVID-19 pandemic, as it has depended on personal interactions and has not been satisfactorily institutionalized. To improve, we will transform the Communications team into a "Communications and Knowledge Management (KM) team". They will take on a new responsibility to coordinate CGAP's KM function. While the team will use FY23 to define how this function will be implemented, progress has already been made. We have started to institutionalize learning series through Brown-Bag Lunches, and external speaker events to get CGAP staff more exposed to external developments. In addition, we will re-instate an in-person forward-looking blocked week (CGAP's annual team retreat). Continue to use our staff meeting for staff to share findings with each other and explore additional mechanisms for internal communication and knowledge exchange. Establish an internal repository of knowledge (e.g., by enhancing the current MIS for this purpose). We will also develop an active staff training program, including identifying needed skills, relevant training opportunities, and actively managing our internal training budget and staff's competencies development.

Key Action (as of June 2022)	Timeframe	Responsible unit(s)	Progress as of March 2023
The organization of internal brainstorming sessions on new/complex financial inclusion thematic areas where the brainpower of CGAP staff together can add value, where different perspectives are needed, where new knowledge is needed, or where silos need to be broken	Ongoing	CGAP Comms, Project Leads	We have been developing a program of internal brainstorming discussions. Some have focused on sharing knowledge on ongoing CGAP projects. Others were anchored on guest speakers whose work is of interest to all of CGAP. Others still have focused on future CGAP work and leveraged the perspectives of a wide range of CGAP staff. Additional cross-CGAP brainstorming sessions on technical and nontechnical topics will be planned regularly.
The organization of learning series through Brown-Bag Lunches, speaker events (as we have started) to get CGAP staff more exposed to external developments. Ensuring the new market intelligence function is actively sharing content across pillars and with relevant staff	Ongoing	CGAP Corporate, CGAP Comms	A learning series has been launched and several discussions have taken place thus far, including through our yearly staff retreat. Our newly established intelligence function has collaborated with several projects.
Develop an active staff training program, including identifying needed skills, relevant training opportunities, and actively managing our internal training budget and staff's competencies development	July 2022	CGAP Corporate, CGAP Comms	A professional development plan has been developed and the implementation of this plan has begun, with active monitoring and support from the CGAP Corporate Team.

ANNEX 4

CGAP VII Resource Requirements

During the CGAP VI Strategy cycle, CGAP maintained a global presence and reach, delivering our work program in a challenging business environment. The cost for implementing CGAP VI, with an average of 48 full-time team members and 70 part-time global consultants, was approximately US$121 million over the full five-year period, or US$24 million per year.

After two decades of growth, our member contributions fell during CGAP VI due to changes in some funders' strategic priorities. Consequently, CGAP VI was underfunded by approximately US$10 million. The CGAP Operational Team, with the sustained support of the Council of Governors (CG) and members, proactively engaged in fundraising and secured significant contributions that enabled a successful transition to the CGAP VII cycle. However, some uncertainty remains over future financial contributions to CGAP due to shifts in some members' aid strategies and other conflicting priorities.

The resources required for the proposed scope of work for CGAP VII are slightly lower than the projected CGAP VI spend, adjusted for inflation. To achieve the work program proposed in this document, the resource requirement for CGAP VII under a base case budget scenario is estimated at US$130 million over the full five-year period, or US$26 million per year.

A high case budget scenario is estimated at US$155 million for the five-year period, or US$31 million per year, which would enable CGAP to conduct additional partnership expansion in the Global South through an affiliate network and further decentralization activities (see Table 1 in this annex).

Operational staff levels required to fully implement CGAP VII are anticipated to average around 50, slightly over the staff levels of previous cycles. This staff level anticipates select new skills and expertise (e.g., regarding insurance, market intelligence, etc.) that will be required for new areas of work in CGAP VII.

To reach its funding target of US$130 million under the base case scenario (US$155 million under the high case scenario), CGAP needs support from our existing members and to continue expanding our membership. CGAP needs to focus on core funding in particular, as dedicated funding grew significantly over CGAP VI. Dedicated funding often presents significant costs and risks for CGAP since it diverts resources, especially staff time, away from our core work program and thus impedes our ability to deliver on our higher-level objectives. It also multiplies reporting requirements and hence increases costs. Focusing on core funding is also in line with the World Bank Group recent trust fund reform.

Table 1

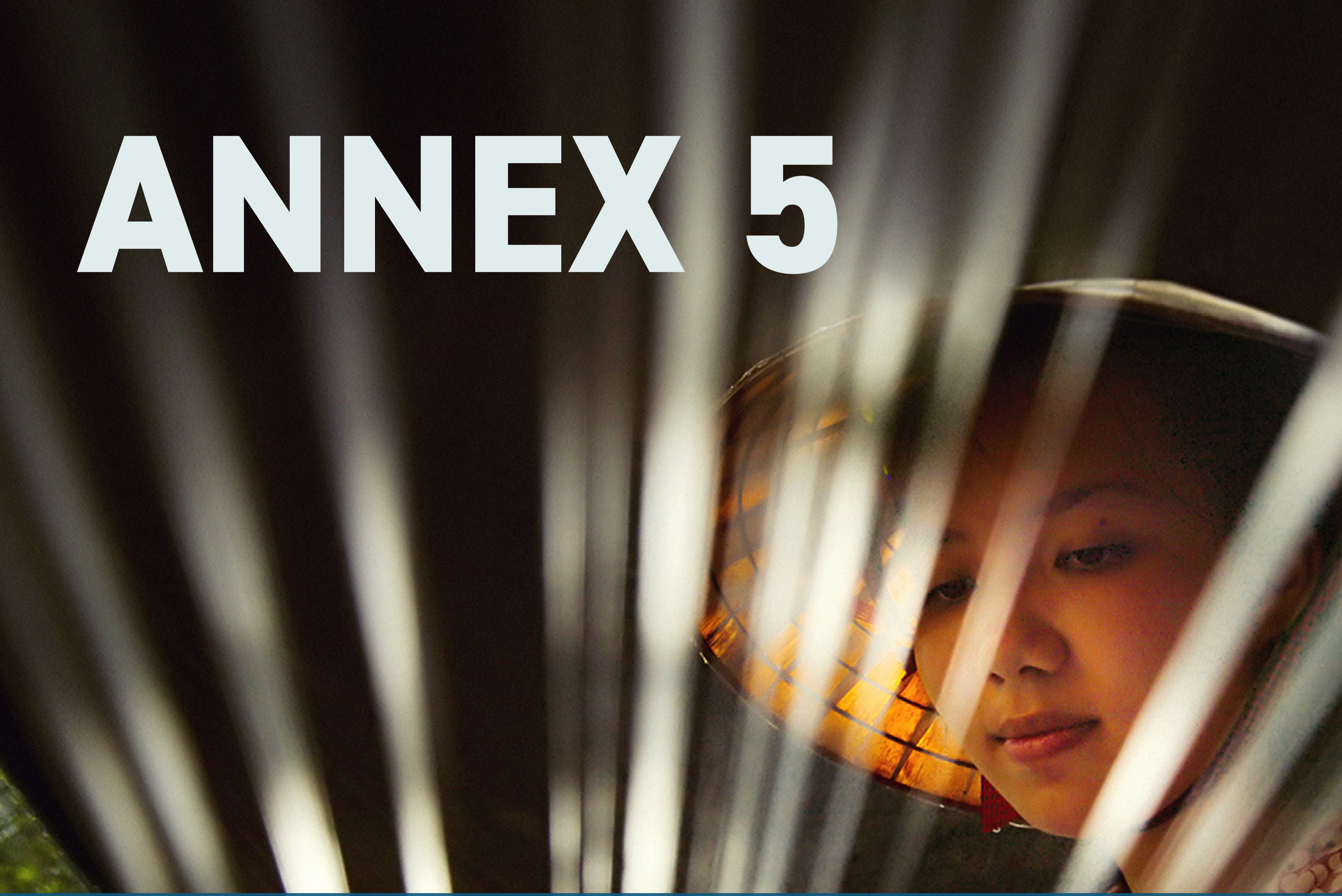
CGAP VII Resource Requirements - Base Case

USD000	FY24	FY25	FY26	FY27	FY28	Total
Statement of Revenues and Expenses						
Member Contributions	40,000	28,000	25,000	21,000	16,000	130,000
Interest Income	500	500	500	400	200	2,100
Total Revenues (A)	**40,500**	**28,500**	**25,500**	**21,400**	**16,200**	**132,100**
Expenses by Expense Type						
Staff Expenses	15,707	16,950	16,500	15,500	15,500	80,157
Consultant Fees	4,936	4,700	4,600	4,400	4,300	22,936
Contractual Services	3,598	3,550	3,500	3,300	3,400	17,348
Travel Expenses	1,459	1,200	1,300	1,300	1,300	6,559
Other operating expenses	800	600	600	500	500	3,000
Total Expenses (B)	**26,500**	**27,000**	**26,500**	**25,000**	**25,000**	**130,000**

CGAP VII Resource Requirements - High Case

USD000	FY24	FY25	FY26	FY27	FY28	Total
Statement of Revenues and Expenses						
Member Contributions	40,000	30,000	32,000	32,000	21,000	155,000
Interest Income	500	600	600	500	200	2,400
Total Revenues (A)	**40,500**	**30,600**	**32,600**	**32,500**	**21,200**	**157,400**
Expenses by Expense Type						
Staff Expenses	15,707	16,950	16,500	15,500	15,500	80,157
Consultant Fees	4,936	4,700	4,600	4,400	4,300	22,936
Contractual Services	3,598	3,550	3,500	3,300	3,400	17,348
Travel Expenses	1,459	1,200	1,300	1,300	1,300	6,559
Other operating expenses	800	600	600	500	500	3,000
Grants to affiliate network	-	3,000	8,000	9,000	5,000	25,000
Total Expenses (B)	**26,500**	**30,000**	**34,500**	**34,000**	**30,000**	**155,000**

ANNEX 5

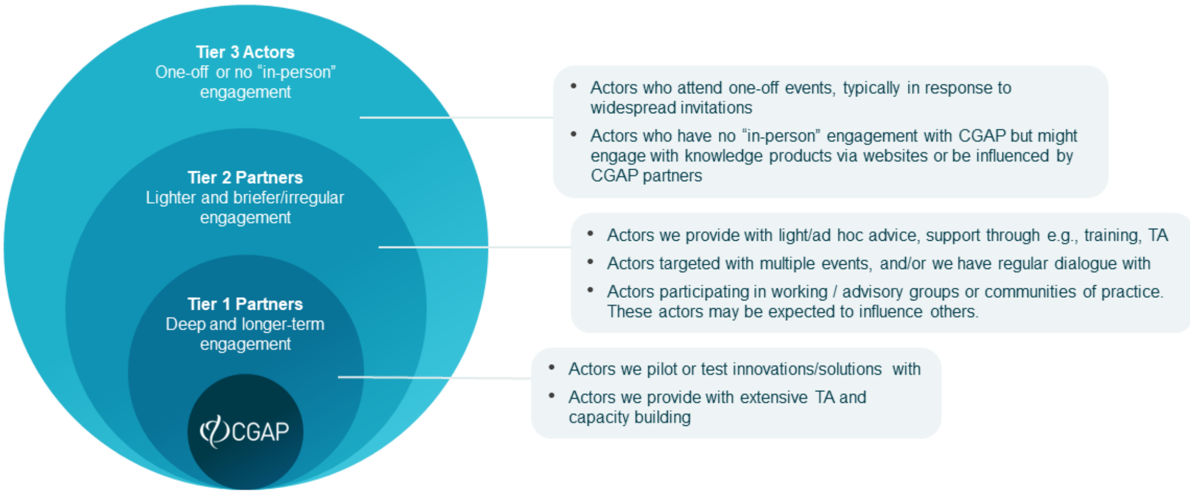


CGAP Engagement and Influence

As a research and thought leadership organization, CGAP achieves impact by equipping other participants—both in the responsible and inclusive financial ecosystem and in other areas of development—to think and act in new ways based on insights we have generated or curated and shared. To maximize our influence and impact, CGAP takes an intentional and focused two-track approach to engagement and influence. In track one we ensure that our knowledge is freely available to all by publishing it on our website and sharing insights through social media and other channels. Through this track we also help raise awareness among a wide range of audiences (Tier 3 in Figure 27) of the importance and value of inclusive finance as a tool to achieve green, resilient, and inclusive development. In track two our priority is to identify and engage with actors that have the greatest ability to drive a specific change within financial systems. While these actors vary by topic and project, our engagement approach often involves working closely with a small handful of actors (Tier 1) to test solutions and generate knowledge. We then engage with a broader set of similar types of actors (Tier 2) that are well placed to implement this knowledge and drive positive change around the world. Figure 27 summarizes these forms of engagement with partners[74] and other actors and sets out the three-tier categorization we will use in our results monitoring and reporting.

[74] Tiered partners are typically project partners but can be any of the four partner categories described in Section 5: members, project partners, corporate partners, and affiliate partners.

Figure 27. The CGAP engagement tiers describe levels of engagement with various actors



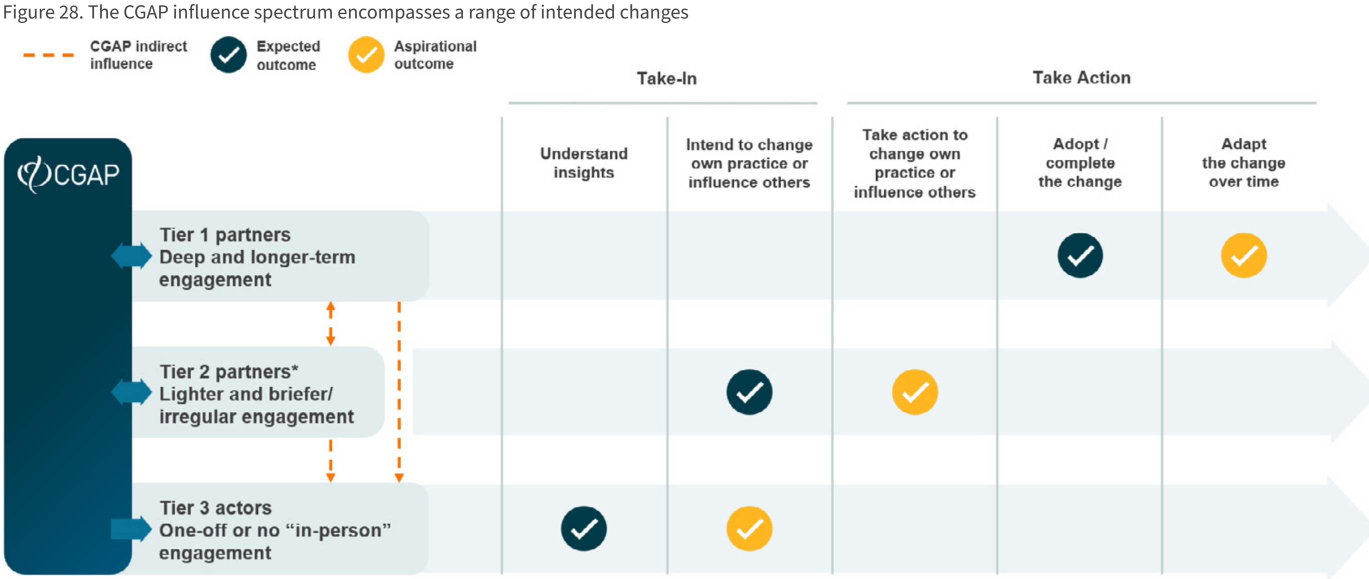
Through our technical work, CGAP partners annually with approximately 40 to 50 public and private sector players around the globe. A partnership with an FSP or a fintech could, for example, pilot a new practice or product with CGAP's support and guidance, or engage with a regulator and policymaker on how to amend their policies and practices to harness the potential of innovations for financial inclusion. Partners such as these would typically be classed as Tier 1.

In addition to our deep and close partnerships, CGAP has light touch partnerships with several hundred actors who participate in our working and advisory groups and communities of practice. We also provide these actors with ad-hoc advice or training. These partners are typically classed as Tier 2, and many are engaged with the intention that they will go on to influence others.

CGAP influences actors beyond our partnerships and engagements throughout the sector through convening, online knowledge sharing, communication, participation in global or regional events, and indirectly working with our close partner organizations—especially those with large-scale reach. These actors are typically classed as Tier 3.

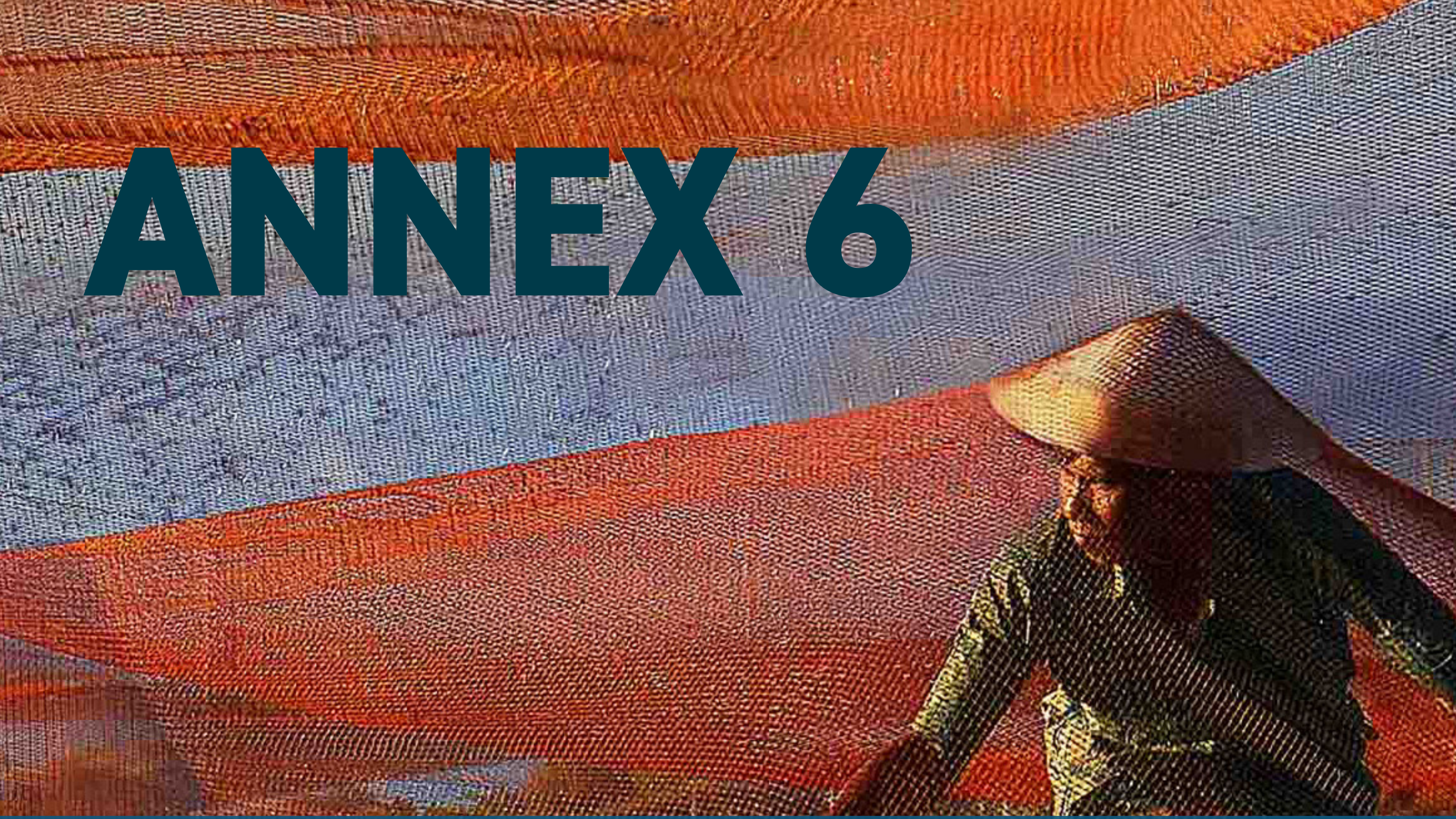
With all these actors we envisage two principal steps on a pathway to adopting or acting as an advocate for a new practice, inspired by insights developed by or with CGAP. The first step spans knowledge and attitude change, what we call insights "take-in." The second step is to "take action" on insights (see Figure 28). By definition, this implies behavior change: doing things differently in concrete ways. Figure 28 shows CGAP's influence spectrum and the different levels of ambition with each partner/actor tier. We will summarize our influence within these categories in our monitoring and reporting.

Figure 28. The CGAP influence spectrum encompasses a range of intended changes



* Some Tier 2 partners are engaged primarily to leverage their knowledge and influence on others rather than to influence them to change something themselves.

ANNEX 6



Strategy Consultation Process for CGAP VII

CGAP utilized a participatory approach throughout the strategy consultation process in order to create a strategy for CGAP VII that is both visionary and relevant for the industry. Consultations began early in the process, with multiple rounds of internal consultations with CGAP staff, including crowdsourcing thematic ideas, staff update meetings, and a dedicated strategy retreat. Additionally, a working group was convened to lead work on updates to CGAP's vision and mission statements, and to discuss key terminology used in the CGAP VII Strategy document. Simultaneously, CGAP engaged with our members at several points in the development process. This included an early presentation on the direction of travel for CGAP VII at CGAP's 2022 Council of Governors meeting in Paris and subsequent updates at the October 2022 and February 2023 ExCom meetings in Washington, D.C. and Paris, respectively. Moreover, CGAP organized a standalone webinar for members of our Council of Governors in December 2022 to provide updates on the strategy development and to gather continued input from our members.

CGAP also benefited from expert advice and guidance from the wider industry throughout the strategy development. CGAP's CEO, Sophie Sirtaine, consulted industry organizations, groups, and individuals throughout the process to obtain their reactions and high-level feedback on the evolving strategy narrative and intentions. Additionally, an advisory group[75] of eminent industry experts was convened to provide high-level guidance before the drafting process began. Finally, the draft strategy was subject to a formal review process in the World Bank Group, with the involvement of several expert peer reviewers.[76]

[75] Members of the advisory group included Amolo Ng'weno (BFA Global), Andrée Simon (FINCA Impact Finance), David Porteous (Integral: Governance Solutions), Dean Karlan (Northwestern University; USAID), Henry Gonzalez (Green Climate Fund), Mark Napier (FSD Africa), and Tilman Ehrbeck (Flourish Ventures), among others.

[76] Peer reviewers included Mark Napier (FSD Africa), Bindu Ananth (Dvara Holdings), Tomasz Telma (International Finance Corporation), and Gabi Afram (World Bank Group), among others.

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