Mr. Tilman Ehrbeck
CGAP CEO and World Bank Group Director
International Bank for Reconstruction and
Development and the International Development
Association
900 19th Street NW, Suite 300
Washington, DC 20006

Amendment 3 to the Grant Agreement between the Bill & Melinda Gates Foundation and the International Bank for Reconstruction and Development and the International Development Association concerning Grant Number 42625 and the CGAP Gates Technology Initiative Trust Fund (TF No.070636)

Dear Mr. Ehrbeck:

1. We refer to the above-referenced grant agreement between the Bill and Melinda Gates Foundation (the “Foundation”) and the International Bank for Reconstruction and Development and the International Development Association (collectively, the “Bank”), regarding the CGAP Gates Technology Initiative Trust Fund (TF number 070636) (the “Trust Fund”) effective as of November 17, 2006, as amended October 11, 2007 and again by an amendment dated September 22, 2009 (the “Administration Agreement”).

2. We are pleased to advise the Bank that the Foundation will increase the grant amount through a supplemental contribution to the Trust Fund in the amount of six million U.S. dollars ($6,000,000) (the “Supplemental Contribution”). With this Supplemental Contribution, the total amount allocated by the Foundation to this Trust Fund will now aggregate to thirty one million four hundred thousand one hundred sixty-seven dollars ($31,400,167) (the “Contribution”). This letter (the “Third Amendment”) will amend the Grant Agreement accordingly.

3. The Foundation will deposit the Supplemental Contribution into such bank account designated by the Bank in installments in accordance with the following schedule:

   (a) promptly following countersignature of this Third Amendment by the Bank and submission of a payment request by the Bank, three million U.S. dollars ($3,000,000);
(b) on or before October 20, 2011, one million five hundred thousand U.S. dollars ($1,500,000) and submission of a payment request by the Bank; and

(c) on or before October 25, 2012, one million five hundred thousand U.S. dollars ($1,500,000) and submission of a payment request by the Bank.

4. When making the deposit, the Foundation shall instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Foundation for **TF 070636 CGAP Gates Technology Initiative Trust Fund**, and the date of the deposit. In addition, the Foundation shall provide a copy of the Foundation’s deposit instruction to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to (202) 614-1315.

5. Immediately upon receipt of the Contribution funds, the Bank will convert such funds into United States Dollars if necessary.

6. The proposal and budget attached as annexes one and two, respectively, to the Administration Agreement (as amended from time to time), are hereby supplemented by the proposal and budget relating to phase two attached as Annex 1 to this Third Amendment.

7. All other terms of the Administration Agreement shall remain unmodified and in full force and effect.

8. The Bank will disclose this Third Amendment and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information. By entering into this agreement, the Foundation consents to disclosure of this agreement and related information on this Trust Fund.

[remainder of page intentionally left blank]
9. Please confirm your understanding of the foregoing, on behalf of the Bank, by signing and dating this Third Amendment. Please return to Jennifer Kohler, Grants Coordinator, jennifer.kohler@gatesfoundation.org. If you have questions, please contact Krista Lynn, Grants Manager, krista.lynn@gatesfoundation.org. Upon receipt by the Foundation of the original of this Third Amendment countersigned by you, this Third Amendment will become effective as of the countersignature.

Sincerely,

Bill and Melinda Gates Foundation

/s/ Jim Bromley
Director of Operations, Global Development

CONFIRMED AND AGREED:

International Bank for Reconstruction and Development
International Development Association

/s/ Tilman Ehrbeck
World Bank Group Director and
Chief Executive Officer, Consultative Group to Assist the Poor

Date: October 25, 2010
### Grant Proposal Information

**Project Name:** CGAP Technology Program (Phase 2)

**Organization Name:** CGAP (Consultative Group to Assist the Poor) at the World Bank

**Institutional Official authorized to submit and accept grants on behalf of the organization:**

<table>
<thead>
<tr>
<th>Prefix</th>
<th>Ms. Alexia</th>
<th>Surname Latortue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td>Acting CEO/Deputy CEO</td>
<td></td>
</tr>
<tr>
<td>Address</td>
<td>900 19th St, NW Suite 300 Washington, DC 20006</td>
<td></td>
</tr>
<tr>
<td>E-mail</td>
<td><a href="mailto:alatortue@worldbank.org">alatortue@worldbank.org</a></td>
<td></td>
</tr>
<tr>
<td>Web site</td>
<td><a href="http://www.cgap.org">www.cgap.org</a></td>
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**Project Director/Primary Contact:**

<table>
<thead>
<tr>
<th>Prefix</th>
<th>Mr. Stephen</th>
<th>Surname Rasmussen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td>Senior Microfinance Advisor</td>
<td></td>
</tr>
<tr>
<td>Address</td>
<td>900 19th St, NW Suite 300 Washington, DC 20006</td>
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<tr>
<td>E-mail</td>
<td><a href="mailto:srasmussen@worldbank.org">srasmussen@worldbank.org</a></td>
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**U.S. Tax Status (Refer to Tax Status Definitions):** Exempt International Organization

**Geographic Location(s) of project:** GLOBAL

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<thead>
<tr>
<th>Amount Requested From Foundation ($USD):</th>
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<td>Project Duration (months):</td>
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<tr>
<td>Estimated Total Cost of Project ($USD):</td>
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<tr>
<td>Organization’s total revenue for most recent audited financial year ($USD):</td>
<td>$ 22.6 million</td>
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### Grant Proposal – Summary Information

**Charitable Purpose:** Please limit to 255 characters.
With a global view, CGAP’s goal is to contribute to building more inclusive financial systems which can improve the lives of the poor by raising their income and reducing their vulnerability.

**Project Description** *(describe how the funds would be used to meet the charitable purpose, limit to 150 words):*

This purpose of this program is to use branchless banking to increase the number of poor people who have convenient access to a broad range of affordable financial services, especially savings.

We plan to accomplish this through the following objectives:

A. Demonstrate innovation and scale in six focus markets.
B. Improve industry knowledge and practice.
C. Create enabling regulatory environments.
D. Harness G2P and cross-border remittances to increase access to finance.
Grant Proposal – Narrative

I. Background and Rationale

Branchless banking—the use of communications technologies, such as cell phones and nonbank retail institutions to deliver financial services—has dramatically reduced the cost of delivering financial services to low-income people in several countries. It makes it possible to provide a range of financial services that poor, unbanked people want, need, and can use, making a difference in their lives. Branchless banking would be considered a success if it reached many more people through sustainable business models; early evidence is promising but viability and sustainability are yet to be proven.

Few branchless banking implementations have reached the scale of M-Pesa in Kenya, however interest has grown significantly. Since 2006, global media citations of “mobile banking” increased by 1,100%.

In phase 1, the Technology Program played a significant role in generating awareness and interest in branchless banking globally, as well as helped industry to act by identifying and addressing key issues.

Specifically, the Program:

- Raised awareness in industry about the value that branchless banking could deliver to customers and providers of financial services;

- Provided guidelines for regulators and policy makers to generate enabling regulation for a number of countries

- Promoted activity in branchless banking across a range of business models through grant funding and technical support.

- Disseminated early industry experience through different mechanisms (Focus Notes, market research, the blog, and global conferences) and developed a community of practice (CGAP’s

Text Box 1: Putting Branchless Banking on the Map

In a recent evaluation of the program, stakeholders largely recognized the impact that CGAP had had in raising awareness about branchless banking in industry:

“The field’s awareness about branchless banking has increased over the last three years and CGAP has played a critical role in this accomplishment” […]

“CGAP has been outstanding in generating information that influenced key actors in the field and motivated them to consider branchless banking as a solution to increasing financial access for the poor.” […]

“CGAP was effective at motivating activity in the field of branchless banking. Stakeholder interviewees described the prominent role CGAP played in convening major actors and disseminating information through its publications, blog, and in person meetings with policy-makers and regulators in different countries. These activities created buzz, and the energy and momentum they generated put branchless banking on the map as a promising tool for increasing access to financial services for the poor”.

Program Evaluation Report, Community Science, 03/2010
LinkedIn Group has >2,200 members, and the CGAP Technology blog has had >103,500 visitors\(^1\)

M-Pesa's success in particular prompted the mobile operator world to develop payment services for the unbanked. At the end of 2009 it was estimated that some 120 mobile money implementations were happening worldwide. Governments have taken a proactive role in the nascent industry and just in 2009, at least three countries (with a combined population of nearly half a billion people) issued e-money guidelines.

As a result, the landscape today is significantly different. The dialogue has shifted towards more practical issues. Companies are struggling to tune and adapt models to the realities of their markets. As they move from the hypothetical to implementation, they face the need of more practical knowledge to optimize operations, build viable models and increase customer usage. A number of implementations are happening, but the flow of lessons to industry has been slow. Both successes and failures need to be understood. Ongoing examination of issues should help industry evolve a faster pace.

Early experiments in branchless banking continue to capture the attention of not only national policy makers but international organizations such as the G20 and international standard setting bodies such as FATF. The sector is consequently poised to face increasing demand for technical assistance and awareness building, around a wide spectrum of issues - with experienced regulators looking at "second generation" issues of interoperability and supervision while many others are under pressure to regulate even though they are still struggling to understand basic business models.

There are many more global and regional funders including the GSMA, the IDB, the UN, DFID and others who collectively have supported close to 50 implementations by banks, mobile network operators (MNOs) and others. In a number of cases CGAP has started to provide technical assistance to these funders.

In this market context, CGAP proposes to engage more actively with industry in a reduced set of countries to deliver more substantial impact; expand the level of influence through collaborative partnerships both to drive research in the field and to disseminate learning; and continue supporting regulatory change by providing more specialized input on cutting-edge issues.

\(^1\) Since Aug 2007
II. Project Objectives

With a global view, CGAP’s goal is to contribute to building more inclusive financial systems which can improve the lives of the poor by raising their income and reducing their vulnerability. The purpose of the CGAP Technology Program is to use branchless banking to increase the number of poor people who have convenient access to a broad range of affordable financial services, especially savings.

With support from the BMGF and DFID, and by leveraging assets already in place from the first phase of the program, CGAP expects to achieve the following objectives:

A. **Demonstrate innovation and scale in six focus markets.** The program will seek to support and jumpstart implementations that have the potential to advance the market by either reaching scale or pioneering innovative business models in approximately six “focus countries”: Pakistan, India, Mexico, Brazil, South Africa and another country or region in Africa (to be determined shortly after program begins). This support will be in the form of technical assistance and possibly grant funding. Outside of focus countries, CGAP will maintain monitoring the market in case there are opportunities that are significant or too good to miss (however, we envision that at least 80% of the resources will be devoted to achieving impact in focus countries). This component includes a fund for sub-grants of USD $6.6 Mn.

*Expected outcome/definition of success:* 10 million people gain access to finance as a result of branchless banking services supported by the technology program.

B. **Improve industry knowledge and practice.** The program will analyze and disseminate learning on key obstacles to reaching scale in areas such as customer adoption, product pricing, agent management, business models and regulatory frameworks. The program will seek to identify and extract lessons learned using evidence from projects where it has made direct investments, other out-of-portfolio projects and from relationships with industry experts, academics and regulators. Sub-grants under this component are intended to provide a means to influence a growing number of researchers and academics to direct their attention to the key issues that are lacking sufficient understanding in industry. To adequately disseminate knowledge, CGAP’s strategy envisions building collaborative spaces where key pieces of research or material contributed by others can be disseminated to industry. This component includes a fund for research sub-grants of USD $1.5 Mn.

*Expected outcome/definition of success:* 10 businesses outside of the Tech Program portfolio adapt their business practices as a result of CGAP knowledge products and influence²

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² Influence (outside of our portfolio of projects) is an important part of this outcome. This will be measured through industry surveys and through measurement of indicators on CGAP outreach channels including: web traffic and downloads, publication distribution (electronic, hard copy) and press citations.
C. Support the development of enabling regulatory environments by providing advice on cutting-edge issues. By developing close, long-term, trust-based partnerships with policymakers the program will influence and provide advice with the aim of creating an enabling environment for mobile banking. The program will identify research and disseminate information on emerging policy and regulatory issues and trends in branchless banking and endeavor to build consensus and facilitate learning among Policymakers.

*Expected outcome/definition of success:* 5 countries with significant reforms which enable branchless banking as a result of CGAP’s long-term relationships with policymakers and regulators.

D. Harness G2P and cross-border remittances to increase access to finance. The program will provide technical assistance and possibly funding to three large G2P implementations and a further three remittance projects. These investments would be focused on converting mass cash payments to cashless payments enabled by technology so that they land in a transaction account with the aim of reducing costs and increasing convenience for recipients. This component envisions a fund for research subgrants of USD $15 Mn.

*Expected outcome/definition of success:* 3 major G2P programs and 3 significant cross-border remittance corridors incorporate branchless banking channels to deliver payments which are more convenient and less costly for recipients.

A more detailed analysis of the expected outputs and the indicators that have been developed to track progress against these outputs is included in the logical framework that is included in "Appendix B – Logical Framework". For more detail on how these indicators will be measured see the discussion under “Section V. Monitoring and Evaluation”.

II. Project Design and Implementation Plan

A. Branchless Banking innovation and scale demonstrated in six countries resulting from CGAP’s technical assistance and grant funding,

- Provide technical assistance and funding to investments that have the potential to reach scale, or that pioneer new models, technologies or approaches in six focus countries. The program will provide grant funding to implementations that have the
potential to advance the market by either reaching scale or pioneering innovative business models in approximately six “focus countries”: Pakistan, India, Mexico, Brazil, South Africa and another country or region in Africa (to be determined shortly). These countries have been chosen on the basis of certain market characteristics that increase the chances of successful implementations reaching scale, and greater potential to impact industry in their region.

For each focus country, CGAP will design a strategy based on a thorough analysis of the market addressing all aspects of policy, business and regulation issues. (See “Text Box 3: CGAP’s country focus strategy for phase 2”). These country strategies will be developed in consultation with other actors in those markets (particularly taking into account DFID country program advisers, and other experts from BMGF’s grantees in the field) to maximize synergies and complementarities (and avoid duplication). We expect to deepen our engagement with and understanding of these markets as a first step in developing each country strategy. “Appendix C – Market perspectives on current focus countries” describes our current views regarding the first five countries of focus. “Appendix D – Focus Country options in Africa” describes the potential for work in other countries/regions in Africa (this is the current basis of thinking for choosing the sixth country for the program).

At least 80% of program resources devoted to this output (staff time, consultant work, sub-grants) are expected to be used primarily to achieve impact directly in focus countries. As we develop country strategies, we will propose an allocation of sub-grant funding to each focus country that is consistent with the country strategy, taking into account funding already being provided by other donors working in that market.

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3 In general, a focus country should be significant in the global landscape (for example, having a sizeable population with a significant segment that is unbanked), should have an environment (market, regulation) that supports branchless banking (having an active / engaged regulator, and having active implementations and / or credible business partners to work with), and should have regional influence so what is done there can spur change in neighboring countries. These criteria could be considered necessary but not sufficient. Other factors may also be important.
"Appendix C - Market perspectives on current focus countries" provides indicative figures for potential allocation of sub-grant funds to focus countries.

As in phase 1, the program will continue to make sub-grants to companies for specific deployments. However, in phase 2 sub-grants will be aligned and will be expected to support the broader country strategy.

We also expect to advice businesses that meet the criteria for impact in focus countries, but where funding is being provided primarily by other funders. In these cases CGAP may provide resources for technical assistance (and possibly incremental funding, if applicable4) to improve their ability to achieve success.

We expect sub-grants to continue providing opportunity to influence strategic decisions by key players, and we expect to continue using a "high-touch" model - where the funding supports analysis in specific areas (for example, marketing) where the company may not be paying sufficient attention.

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**Text Box 2: CGAP’s Country Focus strategy for Phase 2**

**Approach to our work in focus countries**

In focus countries we would expect to work collaboratively with the full range of stakeholders (government, private sector, development agencies, donors, and investors) that have an agenda related to financial inclusion.

In each focus country we propose to work along the following lines:

1. **Have a country leader** who would be in close contact with that market who would take overall responsibility to coordinate CGAP’s work. This person would maintain a close relationship with all key actors.
2. **Develop a country/market strategy** based on a thorough knowledge of the market that addresses all aspects of policy, business and regulation issues and brings to bear relevant parts of the full range of project components.
3. **Identify opportunities for intervention** (funding, advisory, technical assistance, or a combination) as well as potential local partners, including other DFID and Foundation funded work.
4. **Develop a tailored communications strategy**.

**Criteria to identify and select countries of focus**:

1. Significant in the global landscape, should have an environment (market, regulation) that supports branchless banking, and should have regional influence.
2. Sizeable population with a significant population that is unbanked, having an active regulator, and having active implementations and/or credible business partners to work with.
3. These criteria could be used to add or remove focus countries as needed.

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4 This support is intended to be complementary. Although a number of grant-making facilities target branchless banking implementations today, often their grants are restricted in amount, geographic scope, type of actor, etc.
Text Box 3: Sub-grants as a tool to learn and influence the market– The case of EKO India

Eko is an agent aggregation company in India that aims at converting the distribution network of Bharti Airtel, India’s largest telecom operator, into a scalable customer acquisition and service channel for State Bank of India, India’s largest bank. The Tech Program provided “bridge funding” for Eko to support the initial deployment of the service, demonstration of the business model and provide access to working capital while it secured funding from institutional investors.

Eko’s business model at the time the grant was approved was predicated on a tight partnership with a bank and an MNO. Eko was successful in developing its relationship with both the State Bank of India and Airtel. During the first three quarters of 2009 Eko sought both an investment and a parallel operational agreement with Airtel for the use of Airtel’s distribution network. In the months of Sept’09 and Oct’09 lengthy negotiations between Eko and Airtel failed to finalize an investment. At least two offers were made by Airtel, but Eko did not consider that the operational assurances offered along with the investment were sound enough to accept. In fact, due to the difficulties of adding a complex financial service on top of Airtel’s sales and distribution network, EKO felt highly doubtful of the ability of the agent network to scale up.

Eko has since pivoted its strategy towards an organic growth model predicated on directly building the necessary agent network structure to support a large scale sales and distribution network. This shift away from Airtel’s distribution network means that Eko will build and manage the network directly.

From CGAP’s perspective, it is evident that considerable work and thought have gone into this by Eko. We believe it has a chance to scale up and become profitable. At this point, however, SBI is concerned with the anemic growth in Eko, with Eko having failed to achieve less than 10% of the 100,000 client acquisition target for Jan ‘10. Despite this situation, SBI is prepared to back Eko’s plans for the first half of 2010.

EKO’s influence in the market. EKO today manages close to 60,000 accounts for SBI. In spite of such dim success, it is clear that the Eko project has influenced the regulator and other market players largely due to the fact that it was the first effort to use mobile telephone technology to specifically work on financial inclusion for the unbanked. Eko has also provided SBI, (the bank that the RBI looks most to drive financial inclusion) a close up view of the potential of mobile phone based branchless banking.

Learning from the project. Being close to EKO along this process has allowed us to learn in detail, key aspects of their business:

• Organization of the S&D workforce, tiered structure, incentive mechanisms, and network administration

• Economics of the network at the unit level, and the relationship to the economics of the account

• Liquidity management practices

• Understanding of customer behavior and transactional patterns

Lessons for the industry:

• Leveraging existing MNO S&D networks to conduct financial transactions can be extremely complex. The incentives structure, performance monitoring systems, and the management focus required to enable these types of “incremental” services are not trivial. In Airtel’s particular case, the S&D network was made up significantly by independent wholesalers; Eko was able to engage with these players directly benefitting their ability to manage smaller sets of agents.

• Marketing tactics directed at account acquisition can be effective at growing the business. The use of street theater, games and music associated with account sign up is clearly correlated with account acquisition. These efforts have produced a consistent rise in account acquisition directly correlated with the marketing efforts.

• SBI’s ability to intermediate deposit funds could provide further flexibility in determining a more beneficial commission structure for Eko. Analysis show that a 40 percent increase in commissions to Eko...
• Provide technical assistance and funding to investments that have potential to be influential outside of the defined set of focus countries. We expect to maintain a global engagement with industry, and therefore consider important to continue supporting projects and developing advisory relationships (although with less emphasis) with players that have the potential to have significant impact in industry outside the focus countries. Specifically, we expect to look for opportunities in low-income countries, with some emphasis in Sub-Saharan Africa. We expect that the level of dedication of resources to this objective would not exceed 20%. In consequence, we envision a fund of USD $1.5 Mn (approximately 20% of the total sub-grant fund under this output) to be left “unallocated” initially in order to consider the possibility to support sub-grants in geographies outside the focus countries. This budget would be used strategically, prioritizing impact and potential value added to the objectives of the program. Advise other grant-funding facilities: CGAP may build formal and informal relationships with other providers of funding with whom it can coordinate to increase the combined impact in its focus countries, and where CGAP can influence them in favor of scale and innovation for financial services through branchless banking. Some examples of these relationships are the GSMA-MMU, IADB-MIF, UNCDF, among others.

• In summary, the sub-grant fund under this output would be composed as follows:

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<thead>
<tr>
<th>Sub-grant fund under Output #1.</th>
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<tr>
<td>SUB-GRANTS to support strategies in focus countries</td>
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<td>Unallocated funds to support SUB-GRANTS outside focus countries</td>
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<td>Total sub-grant fund for projects &amp; advisory</td>
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5 It is possible that as country strategies are analyzed, and other markets (outside focus countries) are explored, some of these ‘unallocated’ funding is redirected to existing focus countries.
B. Industry knowledge and practice improved in the areas of customers, products, agents, business models and regulatory frameworks

- Analyze key obstacles to reaching scale and potential solutions. We expect to shape the industry through analyzing current barriers, identifying opportunities, and offering actionable advice on both. Learning will be gathered from three main sources (i) empirical evidence from our own investments; (ii) targeted research from “out of portfolio” businesses; and (iii) collaboration with industry practitioners, researchers, academics or other actors. With regards to other emerging researchers (individuals or organizations), CGAP is well positioned to help shape their research agenda towards key questions emerging from the field (given CGAP’s direct work with sub-grants in the field). We expect that sub-grants may facilitate/increase our ability to engage with these researchers to encourage attention in key areas. We propose to have a sub-grant fund to support these research activities with an amount of $ 1.5 Mn USD.

- Form long-term learning partnerships among industry leaders, practitioners, and researchers to promote learning from each other. CGAP would play a pivotal role in identifying opportunities to setup these relationships, convene actors, and create the forums where peer exchanges can occur. CGAP will also play a role in informing these discussions, and use what is learned to inform “wider world”. Likely results from these actions will be material in the form of publications, blog posts, conference presentations, etc.

- Develop a space or platform to disseminate work conducted by others where the substance of such work is deemed relevant for the advancement of the field and build a community that helps shape and promote industry practice through live, collaborative spaces. Online, this could mean creating a space where industry
experts and stakeholders in general can access to find resources, share experiences, and contribute their work, where CGAP curates - but does not fully control - the collective knowledge and experience contributed by industry.

• In summary, the sub-grant fund for this component of the program consists of:

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<tr>
<td>SUB-GRANTS to help shape the research agenda of individuals and organizations that are doing research in the field</td>
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<tr>
<td>Total sub-grant fund for research</td>
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Text Box 5: Managing our learning

There are multiple ways in which we learn. Some learning comes from structured, methodological studies, and some other (plenty, in fact) comes from direct, unstructured experience that results from our interaction with our partners and donors, or from work conducted by other actors in the field.

One of our greatest challenges is to manage our learning in a way that helps us move our thinking forward and share what is important with industry in a timely manner.

1. Learning that happens as a result of our research activities

As part of our program, we conduct studies that help us address specific issues or questions in our research agenda. In some cases we ourselves conduct these studies in the field (with support from specialized companies) and in other cases we outsource to consultants or consulting firms. In any case, the learning happens upon the analysis of the outcomes of such work. In phase 2, we will look for opportunities to develop more frequent “intermediate outputs” (material that encapsulates information in a concise form that can be shared and disseminated quicker than a formal publishing) that help us bring relevant learning to industry more frequently.

2. Learning that results indirectly from other work in the program

- Learning from trips: We will use trips as opportunities to learn, synthesize and document lessons learned. We expect to use this learning to actively shape our research agenda and when applicable, to develop pieces that encapsulate lessons in a manner that can be shared more broadly with industry and with our partners.

- Learning from sub-grants: We expect to have a wider diversity of sub-grants and closer engagements with partners in focus countries. We think this will provide more means to incorporate our partners in the learning process and extract lessons from the market.

3. Learning that is generated by other actors in the market (others’ studies and research work)

Interesting and high quality material is being generated by different sources in industry. Some of this material brings out lessons that are important to the market. By identifying and bringing into spotlight these messages (and/or the material itself) through our web dissemination tools, we intend to bring to industry broader access to valuable knowledge (beyond the material we directly generate).

C. Enabling regulatory environments created through close, long-term partnerships with policy makers

- Develop and maintain long-term trust-based partnerships with policymakers whose intervention can lead to high potential for advancing industry as a whole. Through such relationships CGAP will continue to influence and provide advice to policymakers and regulators, in or outside countries of focus. Based on experience in past years of working with global regulators, it has become clear that the activity
with the greatest ability to create an enabling environment for branchless banking models is assistance in the form of guidance and commentary to regulation and reforms. Such assistance is best provided in the context of an ongoing relationship of trust between CGAP and regulators. We expect to prioritize work that can advance impact in focus countries.

- **Identify research and disseminate information on emerging policy and regulatory issues and trends in branchless banking.** CGAP and DFID's seminal Focus Note 43 on Regulating Transformational Branchless Banking, together with the related Branchless Banking Diagnostic Tool, has laid the foundation for any analysis on branchless banking regulatory regime. However, those who are taking the lead in branchless banking often push the boundaries of the field; as business models develop within disparate regulatory regimes, new policy issues continue to arise which challenge regulators. CGAP has identified other important areas for research such as cross border mobile remittances, e-banking (interest bearing and insured electronic accounts), as well as competition and interoperability. In these cases, we expect to devote resources to identify, analyze and develop opportunities for thought leadership in the field.

- **Build consensus and facilitate learning among Policymakers.** One of the most effective ways of developing policymakers' capacity at a global level is through learning events and coordination with other stakeholders. CGAP will build on the Windsor Leadership Seminar which brings together leading innovative regulators in a peer exchange format. In an effort to maximize the comparative advantage of each party, CGAP will continue to coordinate with fellow Gates grantees AFI and GSMA as well as other World Bank divisions (particularly the Financial Integrity and Payments Teams), the U.S. Treasury and international standard-setting bodies and their members, such as the Bank for International Settlements, the G20 and Financial Action Task Force (FATF).

D. **Existing G2P and remittance flows harnessed** to provide useful, convenient and affordable banking services to large numbers of unbanked people.

- **Provide technical assistance and possibly funding 3 G2P implementations delivering financial services beyond payments.** These investments would be focused on converting mass cash payments to cashless payments enabled by technology so that
they land in a transaction account with the aim of reducing costs and increasing convenience for recipients. Should small grants be useful they would be for private companies with the aim of proving the business case to both businesses and governments. Grants are likely to be made via a competitive process in partnership with governments and it may be necessary to fund a number of feasibility studies in partnership with governments and donors to find appropriate countries for these pilots. Only instances where i) there is already a G2P program in place and the government is supportive of the idea of looking into a technology-enabled financial inclusive element of the G2P program, ii) there is an international development agency taking the lead in country and iii) a viable technology partner which is already operational would be considered. The program may also look at providing additional financial services such as interest bearing savings accounts, insurance or small loans to G2P recipients.

- **Provide technical assistance and funding to 3 providers in order to link remittances to financial products and services.** These investments would be expected at around USD $0.25 Mn each, and would be focused on the three goals of reducing the cost of remittances, improving the customer experience (for example, by increasing the number of points at which it is possible to withdraw funds) and experimenting with the provision of additional financial services to beneficiaries. Our interventions will focus on the “last mile” of delivery of remittances and will be aimed at demonstrating success to the broader industry. We will work in partnership with other agencies that are working on the regulation for remittances and the global payments system architecture.

- In summary, the sub-grant fund for this component of the program consists of:

<table>
<thead>
<tr>
<th>Sub-grant fund under Output #4</th>
<th>Amount USD Mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUB-GRANTS to support G2P implementations delivering financial services beyond payments or that link remittances to financial products and services</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Total sub-grant fund for G2P and Remittances</strong></td>
<td><strong>1.5</strong></td>
</tr>
</tbody>
</table>
Text Box 6: Doing it differently

What are the main things that we are going to do differently in Phase II compared to what we did in Phase I?

- The program will seek impact in a reduced set of “focus countries” (but maintaining a global perspective)
- We will adopt market-level strategies (beyond support to specific projects), to enhance ability to influence the market. The program will continue to make sub-grants to companies for specific deployments but the sub-grants will be part of broader strategy to influence the market in that country
- Will seek to influence the emerging community of researchers working in branchless banking, through collaborative research and through subgrants that allow CGAP to shape the content and focus towards key issues in the market.
- We will manage our learning more actively in order to deliver lessons learned to the market more nimbly and frequently
- Develop a space or platform to disseminate work conducted by others that can advance the field, and build a community that helps shape and promote industry practice through live, collaborative spaces

IV. Potential Risks
We observe the following risks in the implementation of this program:

1. **Lack of direct control over grantees.** CGAP does not have direct control over decisions made by grantees, nor does it want to. This dynamic means there is a risk that CGAP may invest time and money in organizations that do not move in the direction we hope they will. While we are acutely aware of the need to ensure decisions are fully owned by our grantees, there is no guaranteed return on investment of time or money. The challenge is not how to garner more control over grantees – this is not good practice and not the type of role CGAP will ever want – but, rather, how to identify a failure so as to divest our limited money and time. CGAP has a portfolio approach to its investments and expects some stars, some good performers and others where we will need to exit. We believe we have become far more disciplined in shedding investments that are not moving successfully.

2. **Project management challenges vis-a-vis the World Bank.** During the first year of operation the program experienced important delays with implementation in most of the pilots. Some of these delays were caused by the World Bank’s disbursement procedures which are not particularly suited to the provision of grants to private entities. In other cases, project plans were revisited in order to address market changes and/or to align to more refined set of objectives. The management of the team and CGAP administrative staff worked together with the World Bank clearing
parties, i.e. legal, financial management, procurement, trust fund management and disbursement departments, explaining the peculiarities of the Technology Program and addressing the questions that might have caused delays. The parties agreed on the standardized grant agreement and other forms as well as the disbursement conditions. After two years of operations our Project Officers are well aware of the disbursement requirement and documentation. We have a designated staff member who oversees the disbursement process. We have assigned specialists at the World Bank for legal and financial management queries. We also hired part-time a procurement specialist. All these measures have helped to significantly decrease the timeline for disbursements and should lead to much quicker turnaround times from approval of a grant to disbursement in the second phase.

3. **Duplication with the work of other donors or organizations.** The global “Branchless Banking Sector” is in a much more advanced state to the time when the first phase of the technology program started. Many more companies have launched branchless banking services, which creates more opportunities for investment, but at the same time there are now many more donors and facilities that are looking to invest in this area. Some of these facilities receive funding from the same donors as the technology program such as the GSMA’s MMU facility, the Alliance for Financial Inclusion and EFInA in Nigeria. Other multilateral and bilateral donors have also entered the sector. There is thus a clear argument for a coordinated approach by the various donors that are engaged in the sector for certain activities (for example grant making) whereas in other areas such as the provision of technical assistance having multiple actors with different, but hopefully complimentary strategies may be healthy for the sector. CGAP has developed strong relationships with some of the other grant making bodies and has developed formal agreements with organizations such as the GSMA, IFAD’s FFR and the UNCDF to provide advice in their grant making processes.

4. **Potential for a high profile failure to damage consumer and business confidence in branchless banking.** Despite the large numbers of actors that are now getting engaged in the branchless banking arena the sector is still relatively new and there is extreme nervousness among consumers, businesses and regulators. A high profile failure as a result of a systems crash or if a branchless banking implementation were to be linked to criminal activity, money laundering or terrorist financing could result in a loss of confidence in not just the specific service that is implicated, but in contagion to other services. Despite the low probability of this occurring this risk may be one of the most severe in terms of its potential to impact the entire sector and it is also one of the hardest to mitigate. CGAP and other actors are already working with
partners to map processes and procedures that can be used to mitigate these risks within individual businesses. As these become better developed and standardized CGAP can start to promote their adoption by other implementers. At the same time it will be important to continue a dialogue with regulators to ensure that they have a good understanding of the level of risk inherent in branchless banking services beyond those in alternative channels (both formal and informal).

Summary of key risks and mitigation measures.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Impact</th>
<th>Probability</th>
<th>Mitigation Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Lack of direct control over grantees results in poor business</td>
<td>M</td>
<td>H</td>
<td>• CGAP will be prepared to exit more rapidly from those projects where the business is not responding to CGAP’s advice and we believe that there is a high chance of failure.</td>
</tr>
<tr>
<td>decisions</td>
<td></td>
<td></td>
<td>• Significant efforts have already been invested in phase 1 in improving communications with key departments in the World Bank and training project officers within CGAP that can be leveraged in phase 2.</td>
</tr>
<tr>
<td>2. Project management challenges resulting from World Bank systems</td>
<td>L</td>
<td>M</td>
<td>• Where appropriate CGAP will coordinate with other donors – for example in the channeling of grant funding.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• In other areas such as the provision of advice and technical assistance, mutually reinforcing messages may actually be of benefit.</td>
</tr>
<tr>
<td>3. Duplication with the work of other donors or organizations</td>
<td>L</td>
<td>M</td>
<td>• CGAP will work with other interested parties to help develop practices and procedures that make failures less likely and promote their uptake.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• In the unlikely event of a failure CGAP will help partners to develop appropriate communications strategies.</td>
</tr>
<tr>
<td>4. Potential for a high profile failure to damage consumer and</td>
<td>H</td>
<td>L</td>
<td>• CGAP will work with other interested parties to help develop practices and procedures that make failures less likely and promote their uptake.</td>
</tr>
<tr>
<td>business confidence in branchless banking</td>
<td></td>
<td></td>
<td>• In the unlikely event of a failure CGAP will help partners to develop appropriate communications strategies.</td>
</tr>
</tbody>
</table>

V. Monitoring and Evaluation

Separate, but complimentary processes are planned for monitoring and evaluation. Ongoing monitoring of the technology program will be carried out by a specialist external organization.
which will be selected for their skills in project monitoring. At the end of the program a formal
evaluation of the results of the overall program will be conducted.

CGAP has developed a logical framework in partnership with the two funding partners, DFID
and BMGF, that defines specific indicators at the program level and for each of the four
objectives. These are laid out in the Logical Framework (logframe) attached in “Appendix B –
Logical Framework”. Each indicator includes a baseline value and “SMART”\(^6\) targets for each
year of the program.

CGAP has issued a request for proposals for a firm who will work closely with Technology Team
to refine the indicators in the logframe and develop a methodology by which each of these
indicators can be calculated. This will ensure that each indicator can be measured in a
consistent manner at six monthly intervals. The firm will liaise with other grantees of the Gates
Foundation (such as the GSM Association and Bankable Frontier Associates) and DFID to
develop common indicators and methodologies where possible and appropriate.

Sources for the underlying data will include publically available data sets (from the World Bank
and other sources), but the institution will also be expected to gather primary data from CGAP
project partners as well as other industry practitioners. Surveys will form an important part of
the process and the monitoring firm will bring experience of conducting and analyzing survey
results.

The monitoring firm will develop the baseline against which the program will be measured by
calculating the value of the indicators at the start of the program and will update these figures
every six months to monitor progress. A progress report which measures progress against the
logical framework and established indicators will be issued semiannually to both donors to the
program. These progress reports will be discussed with the “Donor Committee”\(^7\), during the
regular cycle of meetings which are due to take place four times per year.

\(^6\) SMART: Specific, Measurable, Achievable, Realistic, and within a Time frame

\(^7\) The “Donor Committee” is the governing body for the program. It is responsible for setting the overall strategic direction of
the program (see “Appendix A – Governance Structure”).
At the end of the three year program a formal evaluation of the overall results and impact of the program will be carried out by an independent third party. Both donors will be involved in the selection of the evaluation organization and they will be given access to all relevant documentation and personnel within the CGAP technology team.

VI. Organizational Capacity and Management Plan

CGAP’s Mission, History, and Structure
The Consultative Group to Assist the Poor (CGAP) is a consortium of multilateral and bilateral development agencies, ministries and private funders working together to build sustainable financial services for the poor. CGAP was created in 1995 to provide an international service center and convening platform for the microfinance industry. Today it comprises 34 multi-lateral and bi-lateral development agencies, and private foundations (including the Bill & Melinda Gates Foundation).

CGAP has played a pivotal role in developing a common language for the microfinance industry, catalyzing the movement towards best practice performance standards, and building consensus among its many and varied stakeholders.

CGAP is not an independent legal entity, but a group of trust funds managed by the World Bank. The “CGAP System” is comprised of CGAP’s operational team and management, its board of directors (the Executive Committee or “Excom”), and its broader Council of Governors (CG) of member donors. The operational team acts as a service provider and resource center for donors and the industry. Employees of the operational team are World Bank staff and consultants.

In addition, CGAP is established as a thought leader, knowledge center and information clearing house in the microfinance industry. Its “Key Principles of Microfinance” were endorsed by the G8 at the Sea Island Summit in 2005, and its messages reach everyone from policymakers and financial sector regulators to bankers, microfinance practitioners and the man on the street.

CGAP’s Microfinance Gateway receives several hundred thousand unique visits per month and is the world’s primary online resource for information on financial services for the poor.

The CG is composed of 34 public bilateral and multilateral agencies, ministries, and private foundations with a significant involvement in the development of financial services for the poor. The Excom is accountable to the CG and is comprised of nine members plus the CGAP Executive Director (ex-officio): four are member donor representatives, one is appointed by the World Bank, and the remaining four are microfinance industry leaders with different backgrounds.
Current Operations, Staffing Levels and Financial Results

CGAP works with developing country governments, donors and investors, and local financial institutions and financial services providers. CGAP also promotes the development of financial market infrastructure for the microfinance field, such as the Microfinance Information eXchange (the MIX). For a complete description of CGAP’s current projects and fiscal year 2008 work plan, please see www.cgap.org. In summary, CGAP facilitates industry standards, builds knowledge, and provides training and technical advisory services.

There are 45 members of CGAP’s operational team, including 27 technical staff. CGAP’s annual budget is approximately US$ 22.6 million.

Previous experience with similar projects

CGAP executed phase 2 of the technology program since late 2006, and has developed, implemented and managed projects related to technology and financial services for the poor since 2002. For seven years CGAP has been focused on improving the capacity of specialized MFIs and credit unions to implement strong information systems. In 2003, this scope expended to include research on delivery technology. In 2007, CGAP set up a revamped Information Systems Program with a US$1.25 million budget, co-funded by the European Community, to improve the capacity of MFIs to develop strong and scalable information systems.

The Technology Team

A number of people within CGAP contribute directly and indirectly to the work of the Technology Program. Following are the eleven people that formally constitute the “Tech team” (those who hold direct responsibility over one or several activities of the program).

1. Steve Rasmussen (Program manager) responsible for its management and oversight.
2. Xavier Faz (Deputy team leader), supports program management and coordinates activities across the team. Provides advisory support to project partners, supports development of the pipeline, and supports research related to business models.
3. Michael Tarazi leads our work in Policy and Regulation for branchless banking.
4. Jim Rosenberg is the team’s communications officer; he manages the media, manages the program’s web presence (site, blog, and other groups and communities) and manages the program’s agenda for global conferences.
5. Julia Abakaeva provides overall support for grant management and program reporting.
6. Kabir Kumar leads research on business models, the development of the pipeline and maintains key relationships with external stakeholders.
7. Mark Pickens leads research on customer adoption, agent business case, and agent networks. He also manages the learning agenda for the team.
8. Claudia McKay, works with Mark Pickens, conducts analytic work and supports research on customer adoption, agent business case, agent networks.
9. Sarah Rotman supports project advisory and co-leads (with Chris Bold) the agenda on G2P and remittances
10. Chris Bold supports project advisory and co-leads (with Sarah Rotman) the agenda on G2P and remittances.
11. Renu Sehgal is a financial analyst and resource manager for the program, she is responsible for overall administrative support for grants, and contracting of external consultants and firms.
All of the team members (with the exception of Renu) conduct field supervision of projects, supervise different aspects of program activities in advisory and / or research, and actively participate in presenting in conferences.

All of the people above are considered in the program’s budget for staff (personnel cost), with the exception of Michael Tarazi (who formally is part of CGAP’s policy team and whose cost is borne by CGAP (therefore not included in the Program budget) and Claudia McKay (whose cost is considered as part of the consultant budget).

Other CGAP staff routinely support the Technology Program work:

- Tim Lyman, who leads CGAP’s Policy agenda and provides advice and oversight to our Policy work
- Denise Dias, who is a Policy Analyst in charge of regulation and policy work in Latin America, and who supports our work in Brazil, Mexico and Colombia;
- Greg Chen, the CGAP representative in Asia, who supports our work in India and Pakistan and particularly projects like EKO, SERP and the Maldives; and
- Lauren Reese, who leads CGAP’s Information Systems work, and supports management of RFR’s project in Ecuador
### Budget

<table>
<thead>
<tr>
<th>Row Labels</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Total</th>
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<tr>
<td><strong>Administrative Expenses</strong></td>
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<tr>
<td>World Bank Admin Expenses</td>
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<td>120,000</td>
<td>120,000</td>
<td>360,000</td>
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<td>CGAP Admin Expenses</td>
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<td>180,000</td>
<td>180,000</td>
<td>540,000</td>
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<td>362,480</td>
<td>362,480</td>
<td>1,069,316</td>
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<td>662,480</td>
<td>662,480</td>
<td>1,969,316</td>
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<tr>
<td>Staff salary</td>
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<td>1,100,864</td>
<td>1,133,890</td>
<td>3,236,054</td>
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<td>Fringe</td>
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<td>515,961</td>
<td>531,440</td>
<td>1,528,085</td>
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<td><strong>Total</strong></td>
<td>1,481,983</td>
<td>1,616,825</td>
<td>1,665,330</td>
<td>4,764,139</td>
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<td><strong>Research</strong></td>
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<td>Outsourced Research work</td>
<td>220,000</td>
<td>220,000</td>
<td>220,000</td>
<td>660,000</td>
</tr>
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<td><strong>Total</strong></td>
<td>220,000</td>
<td>220,000</td>
<td>220,000</td>
<td>660,000</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Airfare &amp; per diem</td>
<td>601,200</td>
<td>606,000</td>
<td>606,000</td>
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<tr>
<td><strong>Total</strong></td>
<td>601,200</td>
<td>606,000</td>
<td>606,000</td>
<td>1,813,200</td>
</tr>
<tr>
<td><strong>Communications</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracted services for media/events</td>
<td>178,220</td>
<td>178,220</td>
<td>178,220</td>
<td>534,660</td>
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<td>Web consultant</td>
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<td>78,540</td>
<td>79,096</td>
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<td>Technical Writer</td>
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<td>14,832</td>
<td>15,277</td>
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<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
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<td><strong>Total</strong></td>
<td>300,620</td>
<td>301,592</td>
<td>302,593</td>
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<td><strong>Technical Assistance</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Expert in-country Advisory Support</td>
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<td>432,600</td>
<td>445,578</td>
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<tr>
<td><strong>Total</strong></td>
<td>315,000</td>
<td>432,600</td>
<td>445,578</td>
<td>1,193,178</td>
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<td><strong>Program M&amp;E</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evaluation of Impact</td>
<td>100,000</td>
<td>200,000</td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100,000</td>
<td>200,000</td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td><strong>Policy</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>270,000</td>
<td>272,700</td>
<td>275,481</td>
<td>818,181</td>
</tr>
<tr>
<td>Events</td>
<td>90,000</td>
<td>92,700</td>
<td>95,481</td>
<td>278,181</td>
</tr>
<tr>
<td>Travel</td>
<td>60,000</td>
<td>60,000</td>
<td>60,000</td>
<td>180,000</td>
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<tr>
<td><strong>Total</strong></td>
<td>270,000</td>
<td>272,700</td>
<td>275,481</td>
<td>818,181</td>
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<tr>
<td><strong>Sub-grant fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(output 1) Focus Country Strategy</td>
<td>3,000,000</td>
<td>3,300,000</td>
<td>3,300,000</td>
<td>9,600,000</td>
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<td>(output 1) Unallocated Funds</td>
<td>1,700,000</td>
<td>1,700,000</td>
<td>1,700,000</td>
<td>5,100,000</td>
</tr>
<tr>
<td>(output 2) Research</td>
<td>500,000</td>
<td>500,000</td>
<td>500,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>(output 2) Research</td>
<td>500,000</td>
<td>600,000</td>
<td>600,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>(output 4) G2P &amp; Remittances</td>
<td>500,000</td>
<td>500,000</td>
<td>500,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,000,000</td>
<td>3,300,000</td>
<td>3,300,000</td>
<td>9,600,000</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>6,833,159</td>
<td>7,512,197</td>
<td>7,677,462</td>
<td>22,022,819</td>
</tr>
</tbody>
</table>

See “Appendix E – Budget detail & assumptions” for a more detailed view of the budget.
Budget Narrative

This note refers to the Technology Program phase 2 activities as described in the phase 2 proposal, Section III – Project Design and Implementation. The budget described pertains to the full budget of the program that is intended to be co-funded by the Bill & Melinda Gates Foundation, the Department for International Development of the UK, and CGAP. The sections below describe the main assumptions that were used in building the Program budget, by major cost categories.

A. Personnel

This phase builds upon the work done on phase 1. The team is expected to remain the same, with the possibility of adding a position as the program launches and upon need. There are eleven people in the Technology Team but only nine are taken into account in building the personnel budget. These people are: Steve Rasmussen (only 80% of his cost is charged to the program), Xavier Faz, Kabir Kumar, Mark Pickens, Julia Abakaeva, Sarah Rotman, Chris Bold, Jim Rosenberg, and Renu Sehgal.

Other people who support the tech program in different capacities have not been charged in the past and will continue to not be charged to the program mainly because their core responsibility lies outside the technology team. However it is important to mention since they contribute extensively to the program. This includes:

- Tim Lyman, who leads CGAP’s Policy agenda and provides advice and oversight to our Policy work
- Denise Dias, who is a Policy Analyst in charge of regulation and policy work in Latin America, and who supports our work in Brazil, Mexico and Colombia;
- Greg Chen, the CGAP representative in Asia, who supports our work in India and Pakistan and particularly projects like EKO, SERP and the Maldives; and
- Lauren Reese, who leads CGAP’s Information Systems work, and supports management of RFR’s project in Ecuador

Lastly, no administrative salaries of personnel outside the tech team are taken into consideration. Changes in the “personnel” cost between the last year of phase 1 (FY 10) and the first year of phase 2 (FY11) account for changes that affected salaries of individual team members in different ways and at different times throughout the year (therefore the total expense in personal for FY10 does not represent the annualized value going forward). Some of these changes are: salary increment (performance related or inflation), conversion of contract to staff, promotions, and mid-year incorporation to the team. No administrative salaries (outside the tech team) are taken into consideration.

B. Fringe Benefits

Fringe benefits correspond roughly to 50% of the “personnel” cost.

C. Travel

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8 Refer to “Appendix 2. The Technology Team” for a detailed description of the composition of the team and functions of individual team members

9 There are two team members whose cost does not appear in the personnel line: Michael Tarazi who is not formally part of the technology team (even though he holds responsibility over our policy work), and Claudia McKay, who is under a consultant contract and therefore her cost appears in that line.
Travel budget is based on travel required to support work on specific countries of focus, and additional travel related to work outside of those countries. This includes airfare and per-diem costs as established within the World Bank Group organization.

**D. Equipment**
No equipment cost has been included in the budget directly. The administrative line (as described further below) includes an item “Office occupancy and ICT” which would include the indirect cost of ICT including IT equipment.

**E. Supplies**
No supplies cost has been included in the budget. Would consider to be implicit in the “Office occupancy and ICT” line.

**F. Contracted Services**
The program has thorough experience in conducting the contracting of services. For phase 2, the program continues to expect to hire external firms to support the execution of it (for example, to support research activities, among other). CGAP conducts the hiring of firms applying the general Procurement Guidelines established by the World Bank. CGAP has a procurement specialist that has been designated to support procurement activities in compliance to norms.

**G. Sub-grants to Other Organizations**
The program has experience in managing grants. During phase 1, the Program approved 15 proposals for an amount of USD $15.4 Mn.

**H. Consultants**
There are currently four consultants that work part-time for the tech team providing expert in-country advisory support. Their activities support both research and project advisory. These consultants are paid fees based on a standard market rate basis, depending on days worked. We expect to maintain a pool of 4 – 6 consultants working on a part time basis with us throughout the program.

**I. Indirect Costs**
There are three types of indirect expenses in the budget:

- **World Bank Administration Fee**
  This corresponds to 2% of all external contributions made to the program. It is a standard fee for all trust funds in the World Bank Group that accounts for the costs incurred in the WB organization to setup, manage, monitor, and support the operation of trust funds.

- **CGAP Administration Fee**
  This corresponds to a fixed fee of 3% of all external contributions made to the program. It accounts for the overhead cost of CGAP personnel outside the Technology team that contribute (directly or indirectly) to the administration of the program. This fee accounts for the support given to the program for accounting, payroll, procurement, grant processing, legal support, among other.

- **Office occupancy and ICT**
  This cost is a fixed fee per each member in the technology team that accounts for facilities, office equipment, IT etc. This is a standard rate that applies to all programs and projects conducted by WB staff.
Appendices
A. Governance Structure
B. Logical Framework
C. Market perspective on current focus countries
D. Focus Country options in Africa
E. Budget Detail & Assumptions