

CGAP Phase IV Mid-Term Evaluation

Revised Report



April 2012

Executive Summary

Background

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

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

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

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

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

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

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

Methodology

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

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

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

Context

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

products offered to the poor; new types of financial service providers; new types of investors; new regions for microfinance; new donors (including China, India and Brazil); a global financial crisis; microfinance crises in India and elsewhere; and the recognition of the limitations of supply-led approaches.

Underpinning all of this has been a broadening of the focus of the market, away from a supply-side emphasis and towards providing clients with the range of products and services they need. All of these changes pose challenges and opportunities for organizations like CGAP to demonstrate their relevance in the financial inclusion arena over time.

CGAP's Overall Performance

Relevance

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

Results and sustainability

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

Management and Governance

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

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

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

CGAP Phase IV Performance

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

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

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

Performance by Phase IV Goal

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

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

Recommendations

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

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

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

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

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

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

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

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

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

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

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

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

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

Theory of change

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

Developing a theory of change includes:

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

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

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

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

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

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

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

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

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

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

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

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

