

# FINANCIAL SERVICES FOR THE POOR AND THE LEVEL ONE PROJECT

Introduction for Those New to Mojaloop Community

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September 9, 2019



## **Our Goals:**

**By 2030, ensure that 80% of adults worldwide and 60% of sub-\$2.5/day adults use a digital account for a service beyond P2P transfers, up from 50% and 22%, respectively as of 2014. We also aim to eliminate the gender gap by 2030.**

# WHAT IS FSP?

- The guiding principle of the Bill & Melinda Gates Foundation is that **“all lives have equal value”**
- We believe a significant driver of inequality and poverty is financial exclusion: **~1.7 billion people worldwide lack access to basic financial services, such as savings, payments, insurance, and credit**
- Without formal financial histories, they’re **cut off from potentially stabilizing and uplifting opportunities** like building credit or getting a loan to start a business
- **However, most poor people live very active financial lives** through pooling informal financial tools, leveraging cash and illiquid assets. The poor transact in small amounts, earn income from multiple sources, and borrow and lend money through complex family and social networks. As a result, they face constant risks, limitations, and hidden costs. This further challenges the poor as they aim to escape poverty, and this is why the Bill & Melinda Gates Foundation has made financial inclusion a priority
- **The Financial Services for the Poor (FSP) program supports private-sector and government partners in a shared effort to give the world’s poorest people access to financial tools** that they can use to build better, more prosperous, and more secure lives for themselves, their families, and their communities
- **We are focused on supporting approaches that can provide financial services to the broadest number of people at low cost, and believe that digital technology is essential** to reaching the goal of universal financial inclusion.
- According to the McKinsey Global Institute, digital financial services could make it possible for approximately 1.6 billion people to enter the formal economy for the first time. The same study estimates that DFS could add \$3.7 trillion to the annual GDP of emerging markets by 2025. The DFS model is simultaneously a powerful anti-poverty strategy and an extraordinary catalyst of sustainable economic development for entire national and regional economies.

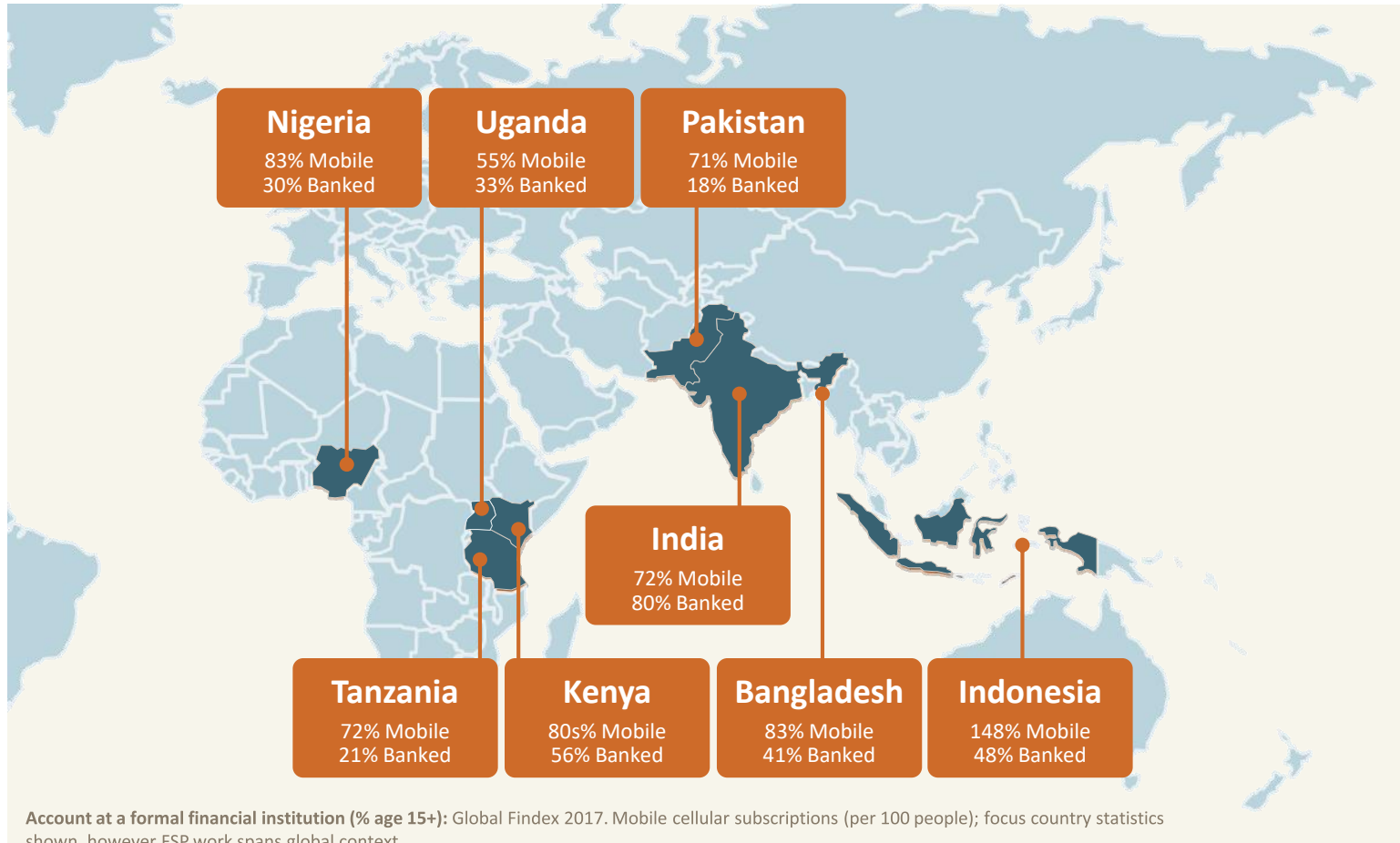
# FSP: WHERE WE FIT IN THE FOUNDATION

Gates Foundation				
Global Health	Global Development	Global Growth and Opportunity	U.S. Program	Global Policy & Advocacy
Discovery and Translational Sciences Enteric and Diarrheal Diseases HIV Malaria Neglected Tropical Diseases Pneumonia Tuberculosis	Emergency Response Family Planning Global Libraries Integrated Delivery Maternal, Newborn & Child Health Nutrition Polio Vaccine Delivery  India Country Office Africa Country Office (Ethiopia, Nigeria, South Africa)	Agricultural Development <b>Financial Services for the Poor</b> Water, Sanitation & Hygiene Gender Equality	K-12 Education Postsecondary Success Washington State	Tobacco Control Development Policy and Finance Philanthropic Partnerships  China Country Office

Source: [gatesfoundation.org](https://www.gatesfoundation.org) (May 2017)



# WHERE WE FOCUS OUR RESOURCES



Sources: International Telecommunication Union, World Telecommunication/ICT Development Report and database, and World Bank estimates.

130

2017 Active Grantees

>\$100M

2017 Grant Payments

35

2017 Employees Worldwide

# FSP THEORY OF CHANGE

## Building Blocks

### Policy and Regulation

- Enabling Regulations
- Consumer Protection Regulations
- Stability and Oversight
- Policies To Drive Usage

### Infrastructure

- Mobile Connectivity
- Pro-poor payment systems (L1P)
- ID Systems
- Effective distribution/service network
- Data sharing

### Private Sector Engagement

- Compelling CVPs
- Effective marketing and sales

## Payments Outcomes

### DFS Payment Services that are:

**Accessible:** Users in our target population can easily acquire and use DFS services

**Reliable:** Users' money and information are secure and available for use; systems help deter usage for money laundering and terrorist financing

**Valuable:** There is a clear CVP for the poor to use DFS rather than cash or other traditional services

**Affordable:** End users are willing and able to pay for the cost of preferred product and receive value in excess of cost

**Profitable:** DFS providers earn sustainable margins

## Usage Outcomes

### Usage of DFS is ubiquitous by the Poor

By 2030, 80% of adults worldwide and 60% of sub \$2.50/day adults have and actively use a digital account to make payments and to access additional products beyond P2P

### Usage of DFS is ubiquitous by Women and Girls

By 2030, the gender gap in usage has been eliminated

### Diversification of Usage

Households use an effective range of financial tools

## Impact Outcomes

*Financial Health + Poverty Alleviation*

Fewer people slide into poverty, more people move out of poverty, and daily consumption is increased because of their use of DFS products and services:

### Consumption Smoothing

Households use DFS to manage and recover from income and expense shocks

### Productive Investment

Households are better able to acquire equipment and materials that improve their long-term incomes

# FSP'S PORTFOLIO SPANS SIX KEY AREAS

## Description of engagement

## Example partners

## Key milestones in focus areas

### 1 Focus country engagement

- Investments focused on augmenting financial inclusion in 8 focus countries: India, Bangladesh, Indonesia, Pakistan, Nigeria, Kenya, Tanzania, and Uganda



- Supported growth in active account holders: (e.g., 69% of adults in 2017 up from 60% in 2014 in Kenya; 54% in India up from 31%)
- Invested in bKash's growth, reaching 30M registered users in Bangladesh

### 2 Policy, regulation & research

- Investments across measurement, regulation, and research to build a knowledge base of effective and inclusive financial policy and impact



- Set up global benchmarks to track progress in financial inclusion at a global level (e.g., Findex, Intermedia)
- Created an evidence base on financial inclusion as a development intervention

### 3 Digital payment infrastructure (L1P)

- Investments in commercial partnerships, deploying and developing best practices and principles, and opensource software to scale best practices across regions



- Launched Mojaloop in October 2017 as an open-source software for financial services companies, government regulators, and others taking on the challenges of interoperability and financial inclusion

### 4 DFS Usage & New Tech

- Research and pilot implementation in upstream R&D, cash-in-cash-out, receipt (e.g., G2P, Wage payments) and spend of digital funds (e.g., e-commerce), and digital identity



- Supported the growth and development of new and diversified products launched by CBA, including M-Shwari and M-Pawa

### 5 GPAC

- Investments in donor and policy advocacy



- Donor and policy advocacy, including with the UNSGSA for Inclusive Finance for Development

### 6 Gender

- Investments focused on Women's Economic Empowerment



- Recent launch of Gender Equality strategy and engagement across the space with key partners

# FSP HAS A IDENTIFIED FOUR KEY PRIORITIES

Topic	Definition	Key challenges
Regulation and Risk Mitigation	<b>Support the development of enabling DFS regulatory environments</b> while mitigating associated risks	Creating alignment and developing capacity across international and local bodies Determining how emerging technologies can best be leveraged by regulators
Payments Infrastructure	<b>Support pro-poor L1P-aligned digital payments system</b> to lower the cost of access and transactions, creating a better business case for providers to serve the unbanked poor adults	Scaling interoperable payments platforms and infrastructure to expand financial inclusion to 80% of the global adult population by 2030
Government-to-person (G2P) payments	<b>Facilitate the digitization (shift from cash to digital) G2P payments</b> , leveraging best practices in G2P design and delivery	Operationalizing G2P payments as a tool to drive financial inclusion and active engagement with digital financial services, including delivering consistent principles in digitization and bridging gaps in capacity
Distribution Infrastructure (CICO)	<b>Support critical CICO, or Cash-in-cash-out, infrastructure</b> required for digital payments systems, providing the ability to convert money into a usable form factor and a trusted, human face to DFS	Approaching the challenges encountered in CICO operations: encounter prohibitive regulations, unviable business models, Unreliable operations, broken experiences and challenging gender differences. Only 2% of the global population live in countries where the majority of transactions are digital, suggesting distance from a digital tipping point
Cross-cutting themes	Driving Global Scale	
	Gender	
	Crowd-in Funding	



# Level One Project Principles And Key Use Cases

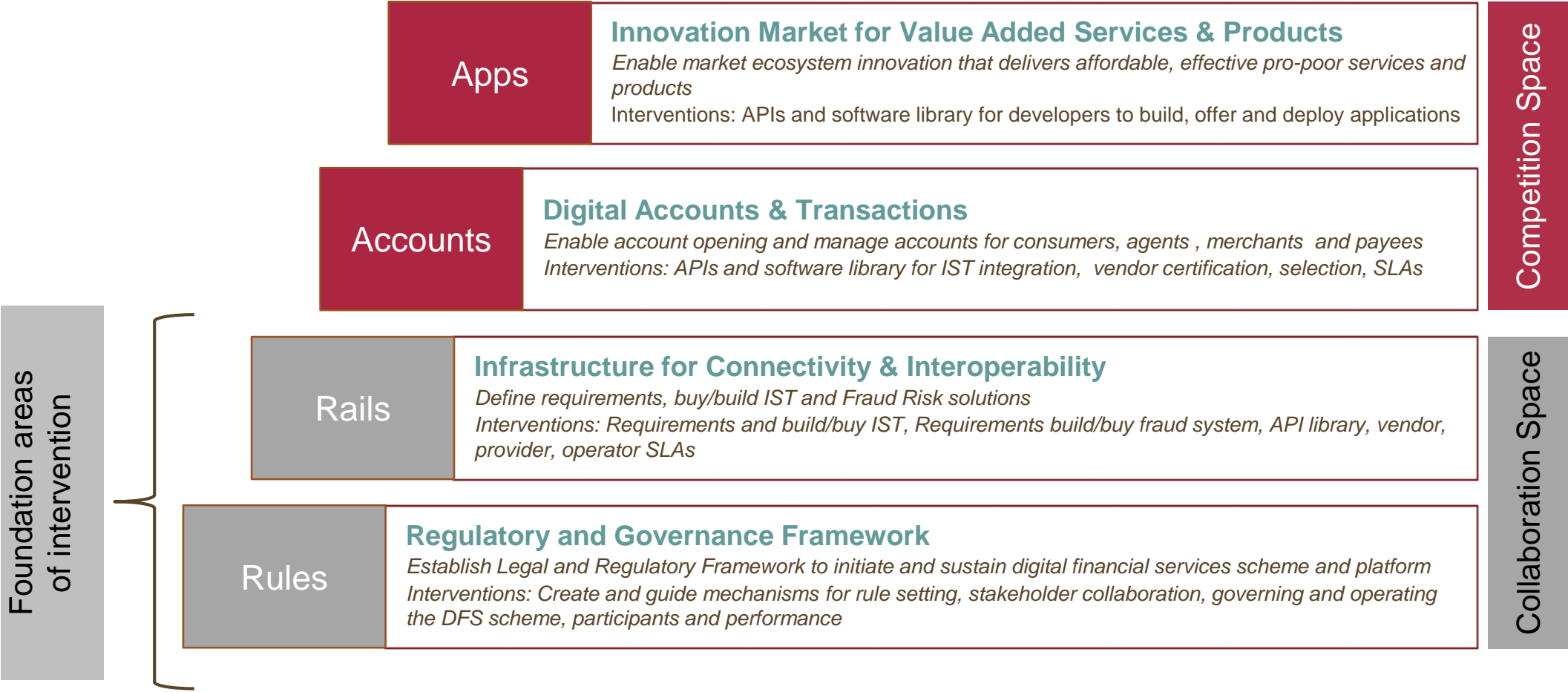
## L1P Platform Principles:

1. Tiered KYC/Self-Issued Accounts
2. Push Payment Model
3. Immediate Funds Transfer
4. Prefunded Accounts
5. Open Loop Scheme
6. Public or Participant Governed
7. Irrevocability
8. System-Wide Fraud and Risk Management
9. High Volume-Low Value Payments

## L1P Key Use Cases:

1. Easy Account Opening
2. Access to CICO
3. Safe Keeping of Stored Value
4. Person to Person Transfers
5. Direct Deposit Benefit Payments
6. Direct Deposit Wages
7. Purchase Goods
8. Transparent and Low Fees
9. Cross Border Payments

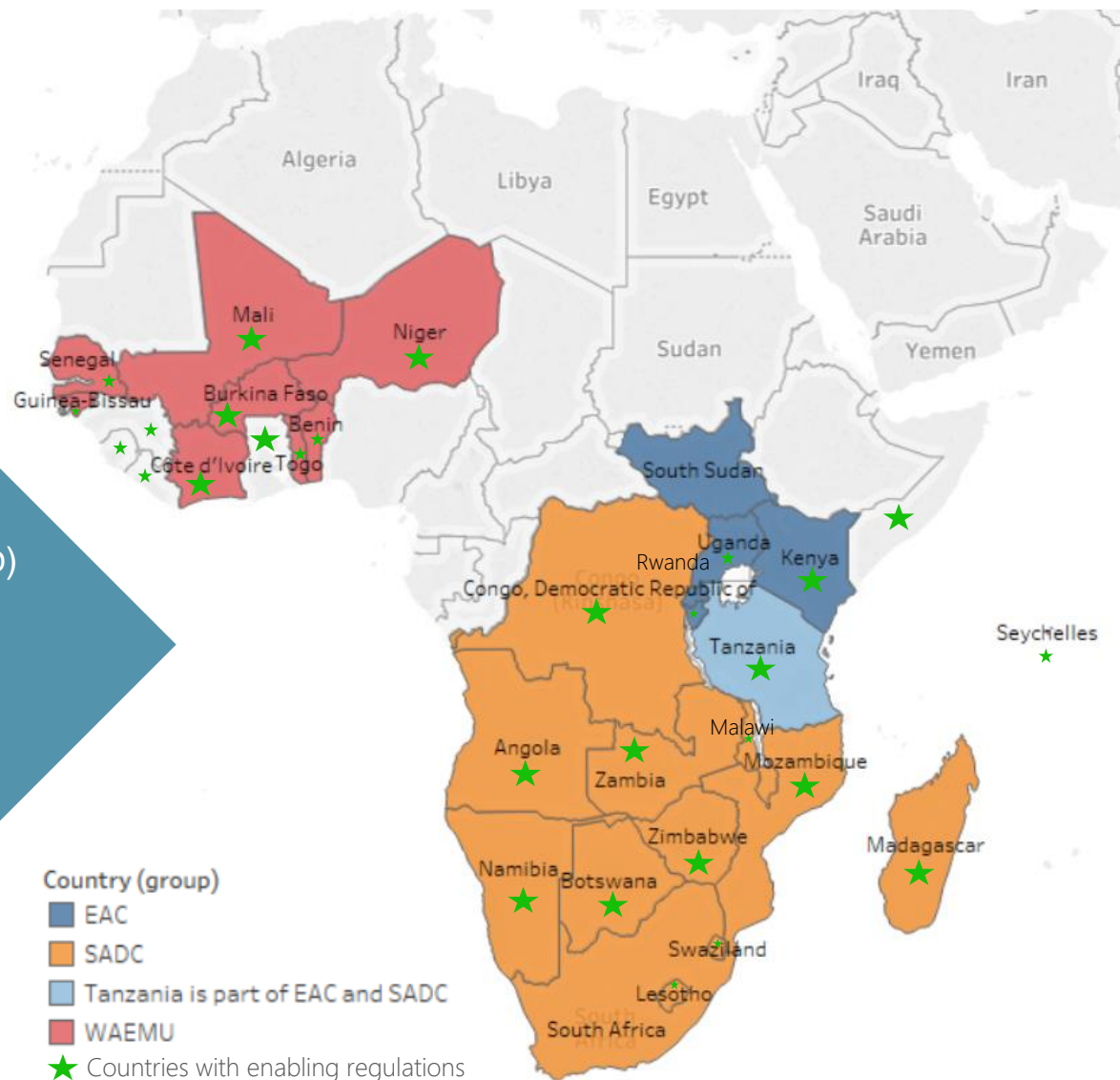
# L1P – Investment Roadmap



# THE SCALE AFRICA OPPORTUNITY

## International Funding

- African Development Bank (ADFI)
- French Development Agency (AFD)
- European Commission (EEIP)
- German Development Bank (KfW)
- Government of Luxembourg
- World Bank – Digital Africa



## Pan-African Impetus

**Regional Economic Communities** integrated with governance power (SADC, WAEMU, EAC and others)

**Association of African Central Bank Governors** focused on Pan-African payment system integration and regulatory harmonization

**Commercial Sector Pan-African Solutions** are emerging as channels for cost effective continental reach, access & support

Thank You  
Questions?