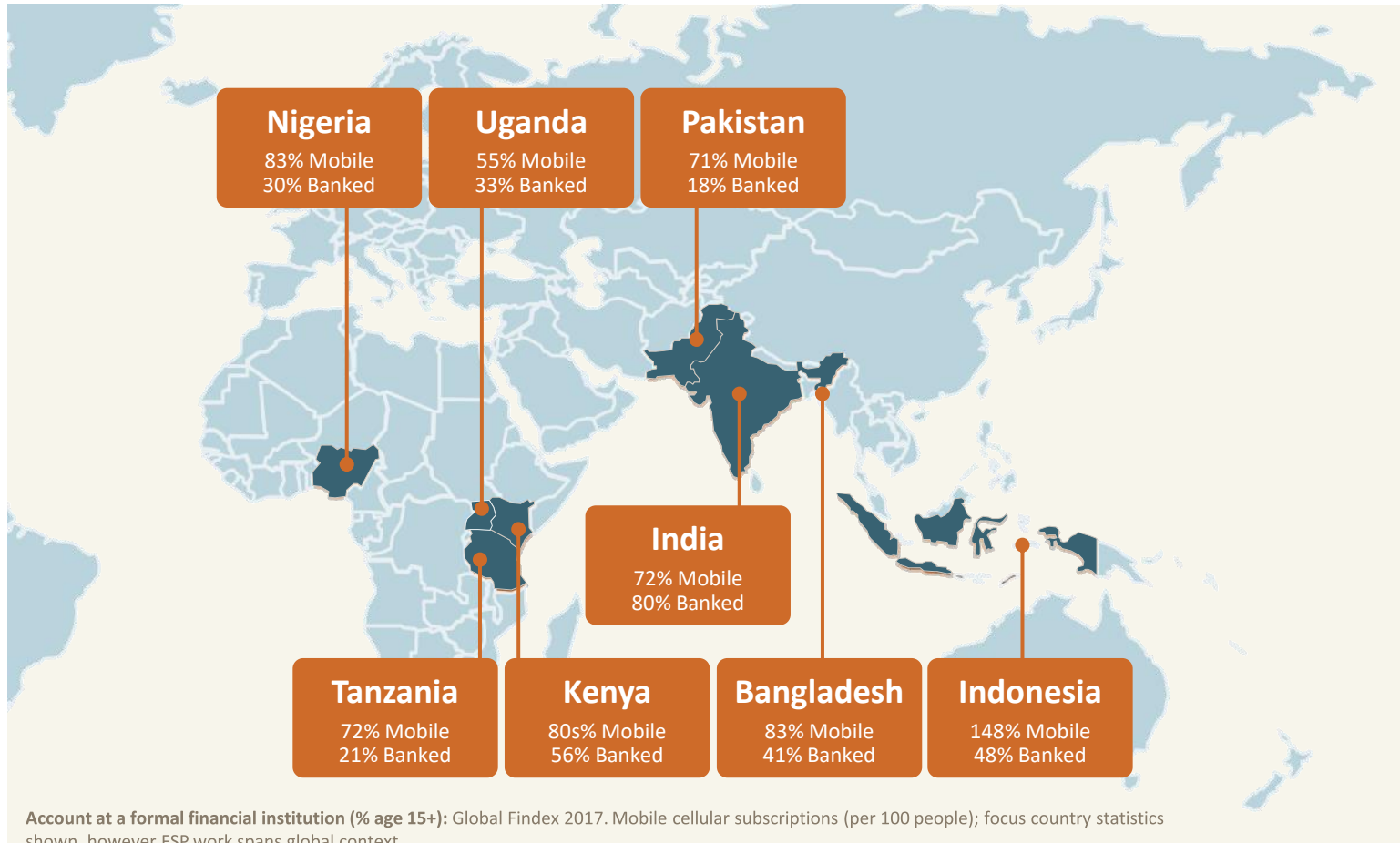INTRODUCTION TO GATES FSP, LEVEL ONE AND MOJALOOP

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**

- **It is expensive to be poor. While most poor people live very active financial lives** they face constant risks, limitations, and hidden costs.

- **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

- **We are focused on digital technology to deliver at scale**

- According to the McKinsey Global Institute, digital financial services could add **1.6 billion people** to enter the formal economy adding **$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.

WHERE WE FOCUS OUR RESOURCES

Nigeria
83% Mobile
30% Banked

Uganda
55% Mobile
33% Banked

Pakistan
71% Mobile
18% Banked

India
72% Mobile
80% Banked

Tanzania
72% Mobile
21% Banked

Kenya
80s% Mobile
56% Banked

Bangladesh
83% Mobile
41% Banked

Indonesia
148% Mobile
48% Banked

Account at a formal financial institution (% age 15+): Global Findex 2017. Mobile cellular subscriptions (per 100 people); focus country statistics shown, however FSP work spans global context

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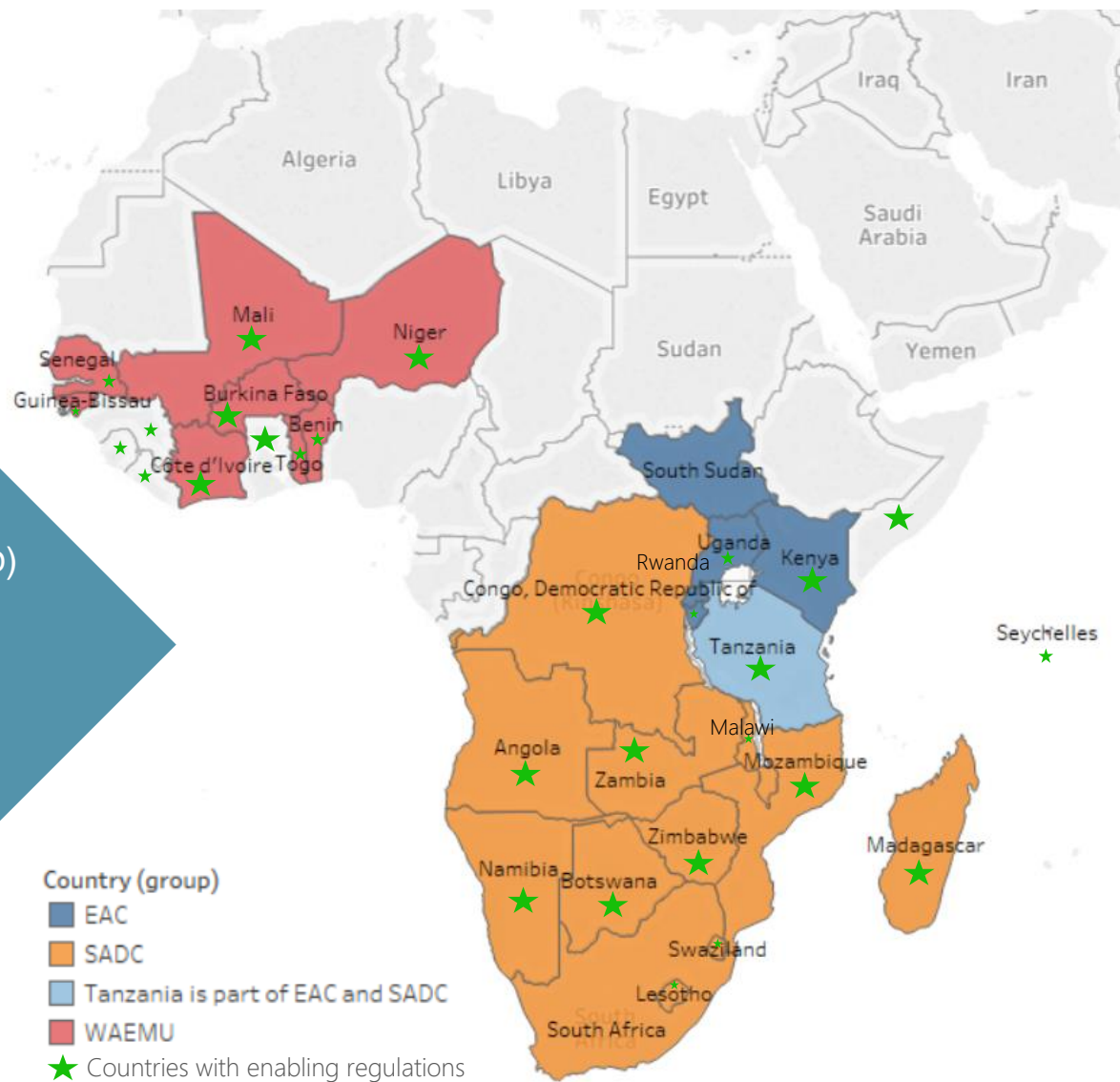
Productive Investment
Households are better able to acquire equipment and materials that improve their long-term incomes

THE SCALE AFRICA OPPORTUNITY

International Funding

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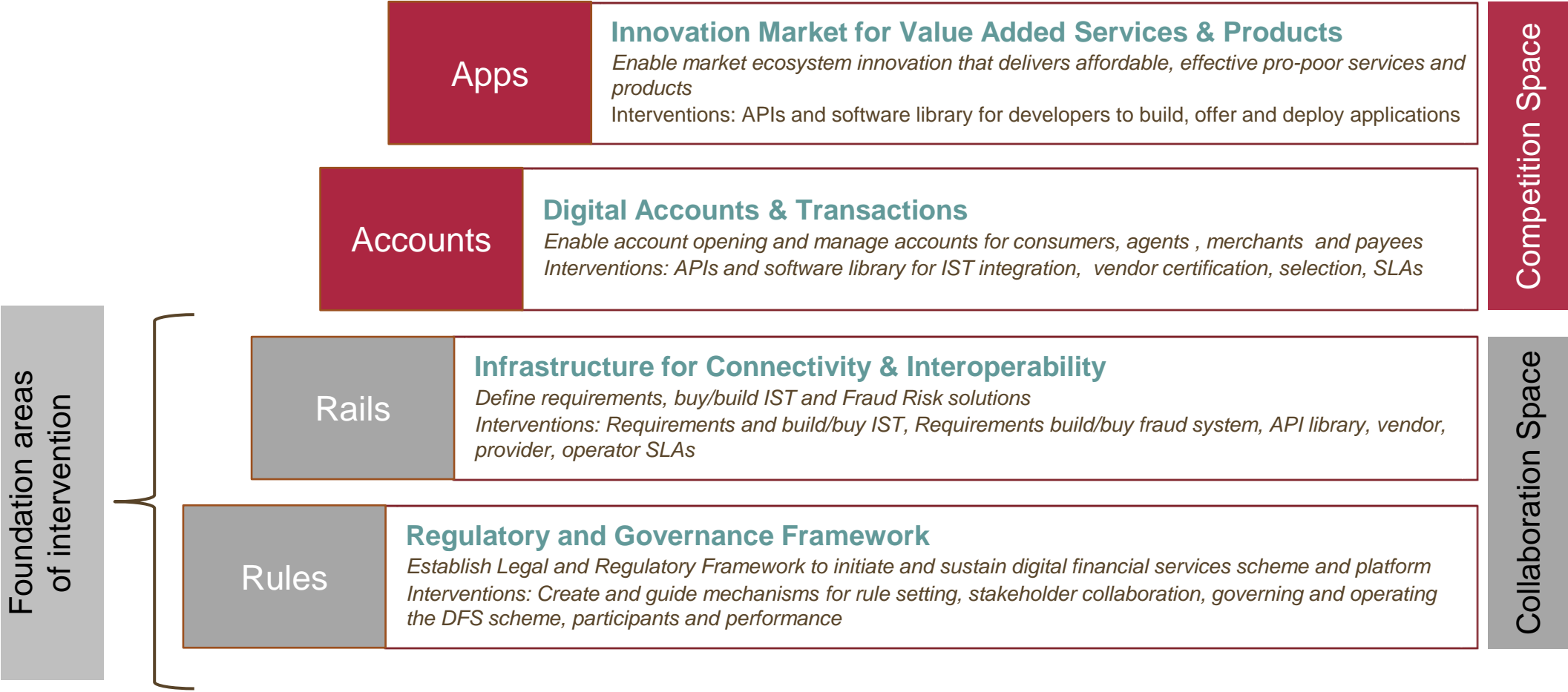- **World Bank – Digital Africa**

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
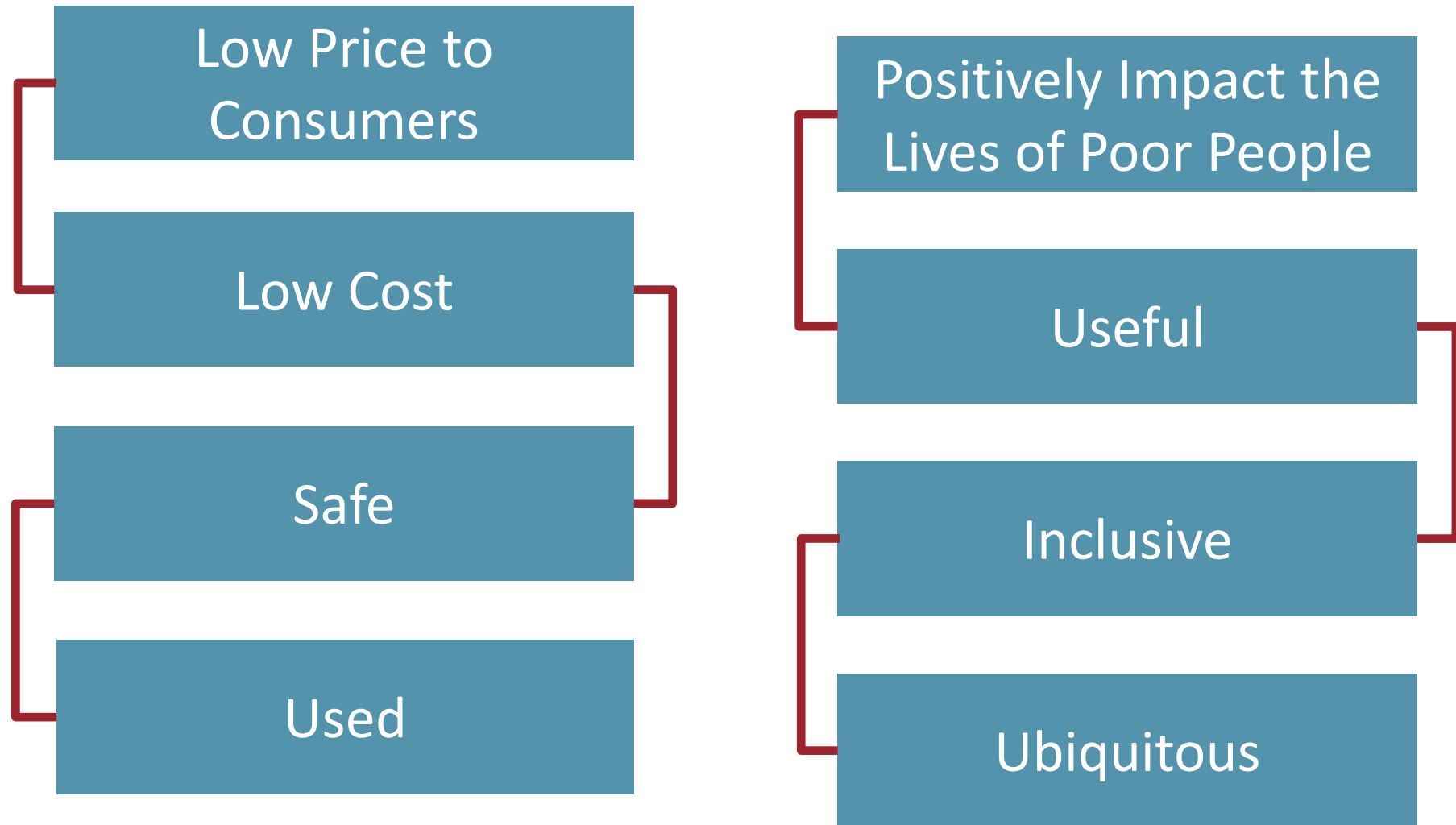
Country (group)
- EAC
- SADC
- Tanzania is part of EAC and SADC
- WAEMU
- ★ Countries with enabling regulations

L1P – Investment Roadmap

Foundation areas of intervention

Apps

Innovation Market for Value Added Services & Products
Enable market ecosystem innovation that delivers affordable, effective pro-poor services and products
Interventions: APIs and software library for developers to build, offer and deploy applications

Accounts

Digital Accounts & Transactions
Enable account opening and manage accounts for consumers, agents , merchants and payees
Interventions: APIs and software library for IST integration, vendor certification, selection, SLAs

Rails

Infrastructure for Connectivity & Interoperability
Define requirements, buy/build IST and Fraud Risk solutions
Interventions: Requirements and build/buy IST, Requirements build/buy fraud system, API library, vendor, provider, operator SLAs

Rules

Regulatory and Governance Framework
Establish Legal and Regulatory Framework to initiate and sustain digital financial services scheme and platform
Interventions: Create and guide mechanisms for rule setting, stakeholder collaboration, governing and operating the DFS scheme, participants and performance

Competition Space

Collaboration Space

MARKET ASSETS & RESOURCES

- Mojaloop
- Mojaloop API

Software

Community of Practice

- Mojaloop Development Community

Assets & Resources

- LevelOneProject.org
- LevelOne Resources
- worldbank.org/en/topic/financialinclusion/brief/pafi-task-force-and-report

Others

Web Resource

- Payments Aspects of Financial Inclusion (PAFI)
- BIS Content

Innovation Lab

- GSMA Mobile Money Innovation Lab

Level One Project Goals

Low Price to Consumers

Low Cost

Safe

Used

Positively Impact the Lives of Poor People

Useful

Inclusive

Ubiquitous

RTRP L1P Design Principles

Scheme Design and Governance

Low Cost	Use of the platform is ultra low-cost for the participating DFSPs
Not-For-Loss Utility	The scheme operates as a cost-recovery plus investment model and payments are considered a shared utility, not a profit maximizing activity
Interoperable	DFSPs (Digital Financial Services Providers), including both banks and other licensed transaction account providers, are eligible to be direct participants
Equal Ownership Opportunity	All direct participants of the scheme are provided equal opportunities in governance and ownership of the scheme. Alternatively, a scheme may be governed by a government entity for the benefit of everyone.
3rd Party Providers	Sponsored non-licensed aggregators, processors, **forex providers** and similar entities may connect to the system to perform functions for end users or DFSPs
Participant Engagement	Indirect and direct participants without ownership have formal and informal mechanisms to provide input on the direction of the scheme, and scheme rules.

RTRP L1P Design Principles

Scheme Design and Governance

Push/Real-Time	The scheme provides push payments cleared on a real-time basis, where payer and payee accounts are immediately updated
Irrevocable	Payment orders cannot be rescinded once they reach the switch, providing the receiver assurance that payments received are safe
Good Funds	Payments cleared through the scheme present no settlement risk
Settlement	The financial obligations among the DFSPs are settled on, at least, a same-day basis
Use Cases for Scale	The scheme supports key retail use-cases, including P2P, C2B, C2G, G2P, B2C and CICO
Fraud Management	The scheme operates a shared fraud management utility. DFSPs retain responsibility for fraud and may operate or subscribe to additional fraud management services

RTRP L1P Design Principles

Government Support

Regulation	The scheme is regulated by financial regulator and operates in national fiat money
Supervision	The scheme enables regulators to monitor transactions in real-time and to receive regular reporting
Government Use	Government agencies use the scheme for retail disbursements and collections
Licensing	Entities such as eMoney issuers, special charter banks, or micro-finance institutions are licensed to provide transaction accounts in addition to Banks
Tiered KYC	Regulator supports tiered KYC for transaction accounts and limits; tier 0 allows for a consumer with limited to no identification to self-issue a basic transaction account with controlled limits; as limits increase, KYC requirements increase

RTRP L1P Design Principles

End User Experience

End User Fees	Fees to end users (individuals, merchants, billers, government agencies, and other enterprises) should be very low, possibly zero, and may vary by use case. DFSPs realize most revenue from adjacent, value-added services, rather than from payment fees
Pricing Transparency	All fees charged to end-users are displayed prior to transaction execution and the paying customer confirms the transaction; foreign exchange fees extracted through less favorable exchange rates are included in this
User Experience	The user experience (UX) is simple and intuitive for a consumer; the UX is designed to prevent user errors and fraudulent activity; this includes features like showing the recipient name prior to transaction, saving frequent recipients, and language localization
Low Cost User Devices	All primary functions should be accessible to users with inexpensive basic/feature phones. These functions are typically enabled through USSD interfaces on such devices
Access Points	Access points, including merchants, billers, agents, branches, and ATMS are readily available for users to transact, cash in, and cash out
Notifications	Notification of account activities sent immediately, only from consumer DFSP, and controllable by end user for privacy

RTRP L1P Design Principles

Other

|	
Network Service and Availability	Network and service availability are reliable and dependable
Enabling Programs	Programs, initiatives, and capabilities are created to serve a wide set of stakeholders and use case needs including efforts to equalize usage by women
Consumer Education	Appropriate investment is made in consumer education to drive adoption of products and services, particularly among low-income consumers
Data Privacy	End user data is secure and kept private
Gender disaggregated data	Data on account holders and usage can be disaggregated to support measurement of gender gaps and related research

RTRP L1P Design Principles

System Design

|	
Technology	Appropriate technologies support secure, high volume, low cost, irrevocable real-time payments, securely and protecting user privacy
Identifiers / Directory	The directory enables appropriate aliases for payments addressing – including, but not limited to phone number, account number, national ID, email address or other identifier. Non-phone number identifiers may be important for ensuring privacy and should be available.
System Components	A central platform, as defined by scheme rules, provides at least switching, directory, settlement, and fraud management services to participants
Common Core	All use cases leverage the same underlying payment order and settlement protocols
Additional Protocols	Additional technical protocols support use case specific needs, such as Request to Pay and QR Code
System Connections	The system is designed to connect to other appropriate domestic systems, and to support cross-border retail use cases

MOJALOOP GOALS

1. We want payments to reach everyone
2. We believe that RTRPS are the lowest cost way to make that happen
3. We believe that our L1P principles help drive the lowest cost
4. Advance the industry
   - Similar features, capabilities and rules
   - Connections between implementations
   - Serve the needs of the people, and of businesses
5. Experience from the markets and your broad base of implementations and prospects
6. Sharing information
   - Security and fraud management
   - Gender research
   - Ecosystem development

Mojaloop timeline
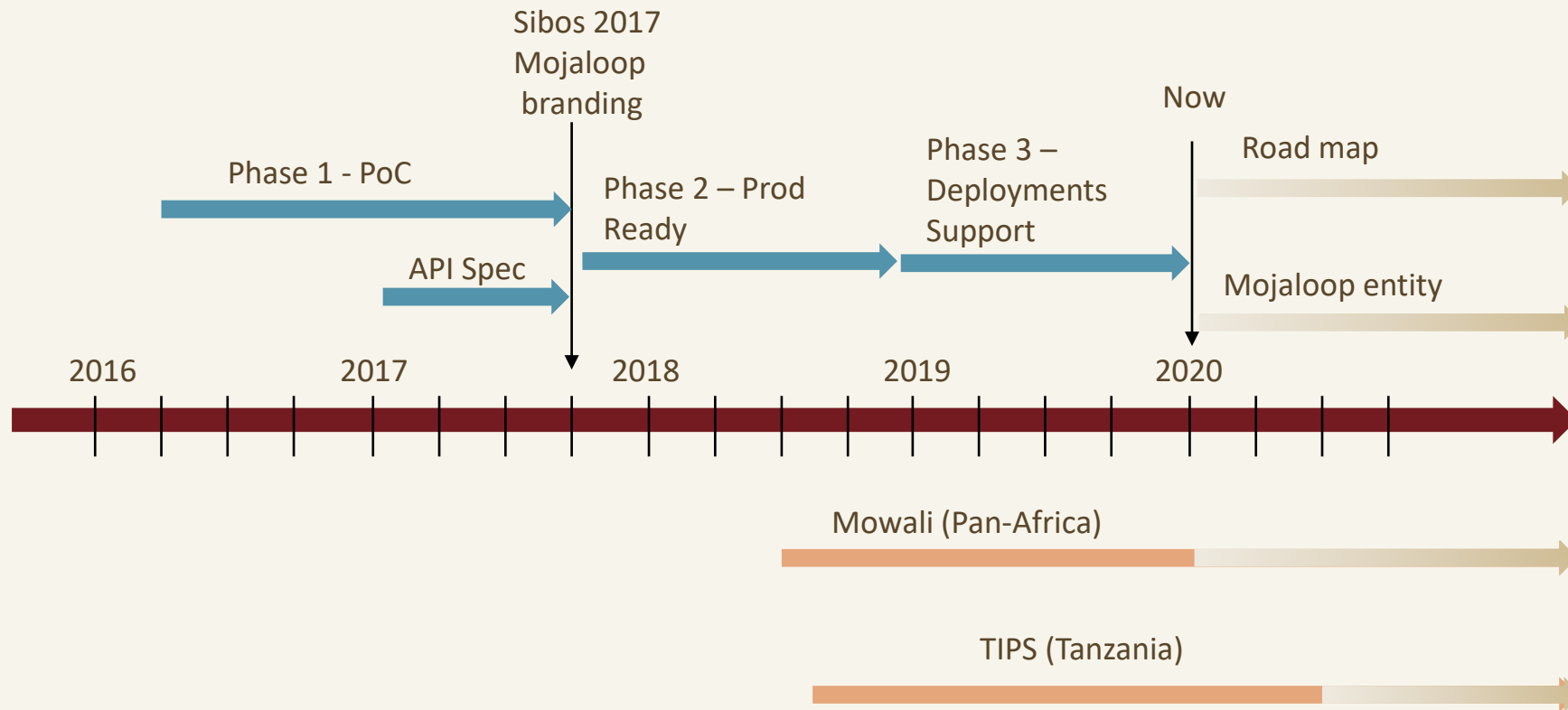
The Mojaloop Model
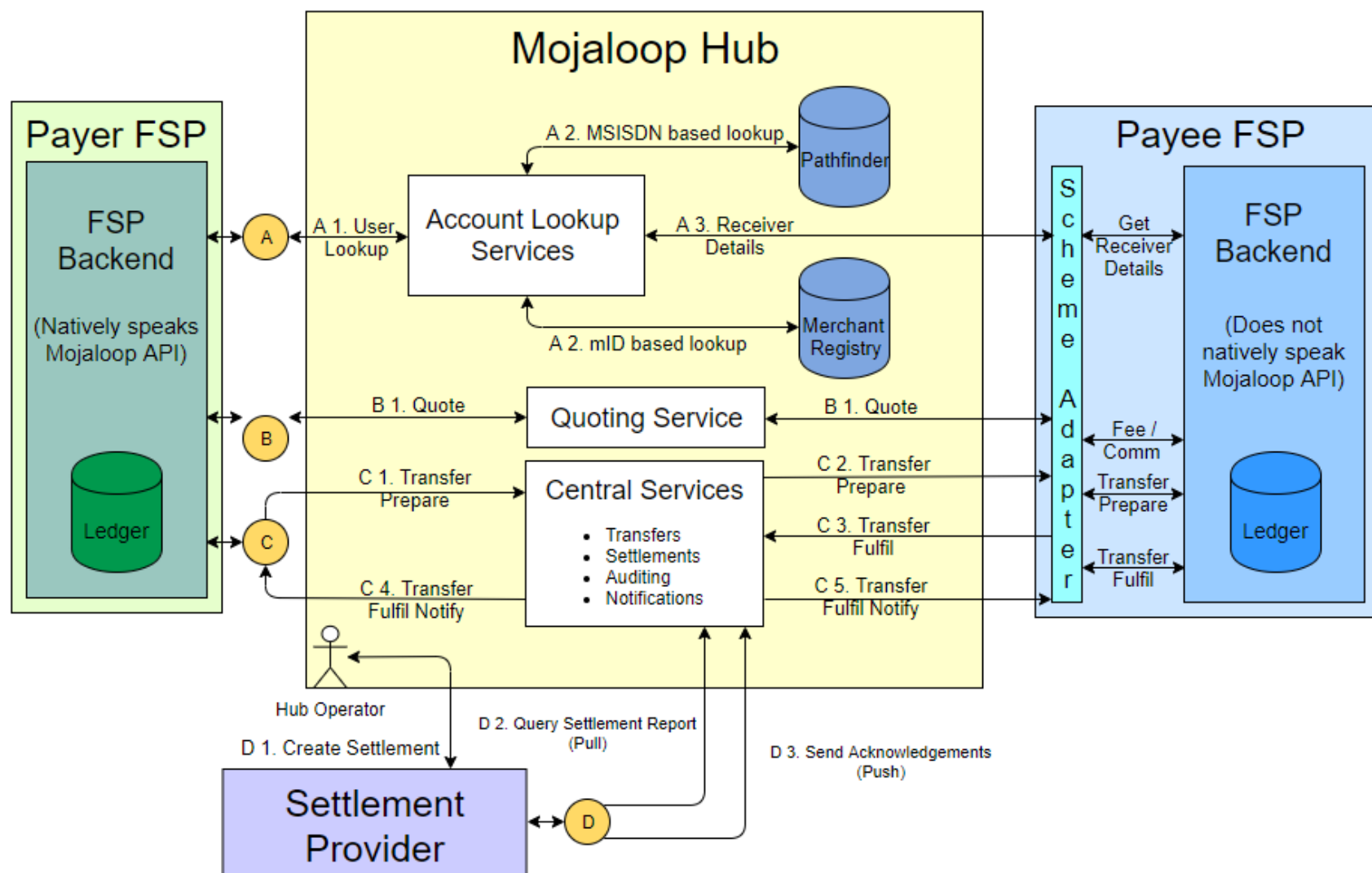
Creating a New Home for Mojaloop

To maximize reach and ensure the long-term impact of the project, the BMGF is seeking to transition the project and the work under it into a new, independent organization. We seek to bring together a diverse group of industry participants to help drive the creation of this new organization and help ensure it meets its mission-critical objectives, such as:

- Reinforce Mojaloop's Financial Inclusion mission

- Actively reference Level One Project principles

- Evangelize Mojaloop

- Maintain a robust, thriving OSS community to guide software evolution

- Maintain software roadmap and an Agile release program

- Host/Manage the community

- Keep governance lightweight for open source contributors while ensure structure and mission alignment

Thank You
Questions?