

# Annual Report 2000

Consultative Group to Assist the Poorest



## INTRODUCTION

Fiscal year 2000 (July 1999–June 2000) ushered in a new and exciting era for CGAP. New team members brought fresh perspectives to the CGAP's work. The Secretariat has heightened its focus on increasing the depth and breadth of microfinance outreach to poorer clients, and this emphasis permeates all of CGAP's work. In addition, CGAP has redoubled its efforts to become a service center for the industry, and in particular to its most important stakeholders, the CG member donors. CGAP has concentrated on delivering quality services to its donor members such as multi-donor staff training, and the development of guidelines and tools that benefit the donor community at large.

This report presents CGAP's activities for fiscal year 2000. It is accompanied by a more general status Report entitled Report 2000, which is intended to serve as an overall description of CGAP and its activities for a broader audience. Following a brief update on CGAP's three main institutional bodies, this report is structured according to the activities and services the CGAP Secretariat provided in fiscal year 2000 to its three prin-

cipal clients: Microfinance Institutions and Practitioners, CGAP's Member Donors and the Microfinance Industry as a whole.

The Secretariat seeks to work with each stakeholder group or client to achieve the common goal of improving the capacity of microfinance institutions to provide quality financial services to the poor, especially the very poor, and to do so on a sustainable basis and ever-increasing scale. CGAP offers four types of support to each type of client: Technical Advice and Exchange, Training, Tools and Services, and Funding. In light of CGAP's unique comparative advantages and institutional constraints the Secretariat has often sought to leverage its small team, providing tools and services which benefit multiple parties at once.

## CGAP TEAM AND GOVERNANCE

### The CGAP Secretariat

Fiscal year 2000 has been a year of many changes including a new manager, several staff changes, reorganization of responsibilities, and two office moves.

CGAP's products by client			
Products	Clients		
	Microfinance institutions	Member donors	Microfinance industry
<b>Technical advice and exchange</b>	Appraisals, monitoring, business planning	Portfolio reviews Relationship managers	Regulation and supervision Policy issues
<b>Training and capacity building</b>	Regional hubs and training partners	Donor staff training courses	External Audit Capacity-Building Program
<b>Tools</b>	Technical handbooks Occasional Papers	<i>Appraisal Format</i> <i>Poverty Assessment Manual</i> Global Donor Portfolio	Microfinance Gateway <i>Microbanking Bulletin</i> Focus Notes
<b>Funding</b>	Funding to microfinance institutions and networks	Products and services for member donors	Initiatives that benefit the entire industry

## Consultative Group to Assist the Poorest

Elizabeth Littlefield joined CGAP as the CEO and Director in September 1999. Ms Littlefield comes to CGAP from the investment bank JP Morgan, where she was the Managing Director in charge of JP Morgan's financing business in Central, Eastern and Southern Europe, Central Asia, Middle East and Africa. Five other new members have joined the team to replace outgoing staff. Syed Hashemi joined CGAP from his position as director of research at Grameen Bank in October 1999 and is responsible for building CGAP's work on deepening microfinance institution outreach. Imran Matin joined CGAP from Sussex University in October to reinforce Dr. Hashemi in order to maximize CGAP's contribution to the poverty work. Xavier Reille joined from CRS Indonesia and brings to CGAP technical expertise in the fields of equity investment, rural banking, audit, and rating systems. Patricia Mwangi joined the team from Arthur Andersen as a Microfinance Analyst and offers financial management, business planning, management information systems training and capacity building experience to the team. Ousa Sananikone has been the most recent addition to the team, joining CGAP in May from the Small and Medium Enterprise department of the World Bank. CGAP's overall staff size remains at the same level as it was last year, with eight permanent technical staff on the technical team.

### The Consultative Group (CG) and Executive Committee

Nemat Shafik, Vice President for Private Sector Development and Infrastructure at the World Bank, is the new CG Chair replacing Ismail Serageldin, CGAP's founding Chair, who stepped down after five years of leadership at CGAP's helm.

The European Bank for Reconstruction and Development joined the CG in January 2000 taking the total CG membership to 27. The Annual CG Meeting in June 2000 is co-sponsored with the U.K. Department for International Development (DFID) and is being held in Edinburgh, Scotland.

Under the leadership of Kathryn Imboden, the Executive Committee reviewed and endorsed the fiscal year 2000 work-plan in Brussels in October 1999. The Executive Committee has also provided valuable input on several initiatives and documents, and served as a conduit for communications between the Secretariat and the CG. Kathryn Imboden also initiated a critical effort to diversify CGAP's funding composition by seeking to raise additional funds from member donors to enable a diminution of funds from the World Bank which is a pre-condition for on-going World Bank support (see budget section for more details).

Numerous initiatives and interactions have taken place between the Secretariat and the CG and these are treated in the section on member donors.

### Policy Advisory Group (PAG)

Kimanthi Mutua, of Kenya Rural Enterprise Program (K-REP) served a two-year term as Chair and will be rotating off the Policy Advisory Group (PAG) in June 2000. Pilar Ramirez of Centro de Fomento a Iniciativas Economicas (FIE) is the Chair-elect of the PAG for the next two years. Sukor Kasim and Kerfalla Yansane will also rotate off the PAG in June 2000.

A joint PAG-Secretariat meeting was held in Washington, D.C. on February 28. Kathryn Imboden also participated to represent the CG. As the first such meeting between the PAG and CGAP staff, it was a valuable chance for members of the Secretariat and the PAG to interact on an individual basis. Fol-

#### Box 1 CGAP's Executive Committee, July 2000

##### Constituency

Denmark, Finland, Norway, Sweden  
Belgium, European Commission, France, Luxembourg, Netherlands  
Germany, Italy, Switzerland, United Kingdom  
International Fund for Agricultural Development, International Labour Organization, United Nations Capital Development Fund, United Nations Conference on Trade and Development, United Nations Development Programme  
Australia, Canada, Japan, United States  
African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank

##### Representative

Camilla Bengtsson (Sweden)  
Marie-France l'Heriteau (France)  
Kathryn Imboden, Chair (Switzerland)  
Hans D. Seibel (International Labour Organization)  
Kate McKee (United States)  
Mohamed Mah'moud (African Development Bank)

lowing a very productive discussion about the tradeoffs between poverty depth and outreach and sustainability and how CGAP might address this in its work, the PAG and Secretariat identified channels to more effectively involve the PAG members as a group, and more importantly on an individual basis, into CGAP's work. Since the meeting, the dialogue between PAG members and the Secretariat has been both rich and fruitful and has provided the Secretariat with valuable input on many important issues, among them CGAP's focus on poverty issues.

**Box 2 Minutes from the Policy Advisory Group meeting  
Monday, February 28, 2000**

**Item I Policy Advisor Group's (PAG) Structure:**

PAG's composition should not be held-up to any given number of members.

Regarding member selection, it would be convenient that diversity is maintained (diversity in the form of i) views/beliefs, ii) legal status of Organizations (NGOs versus Formal Financial Intermediaries), iii) Geographical Areas, as well as iv) experience/skills and specialization.

**Item II Meetings/consultations:**

PAG should meet regularly once a year (coinciding with the annual CG Meeting).

Regarding June 2000 upcoming meeting, it would be convenient to schedule a joint meeting with Executive Committee during (or before) the first day of proceedings. Any contributions/suggestions to such meeting's agenda should be contributed before end of March via the PAG's Chair (Mr. Kimanthi). Additionally, the Secretariat's Staff should be free to consult with PAG and/or any of its members as well as with any other party as frequently (or infrequently) as it sees fit.

**Item III Chair:**

PAG members unanimously elected Ms. Pilar Ramirez as its new Chair (effective June 2000).

In a subsequent meeting, the PAG elected its new Chair and made several specific recommendations, summarized in the box below. Following the PAG's recommendation, the proposal was made and endorsed to allow a natural evolution to a more concentrated PAG by not soliciting replacements for the three PAG members rotating off the PAG this year. Going forward, the PAG would remain at eight members instead of eleven with two rotating off each year instead of three. The composition of the PAG, with the eight members remaining this year, will be well-balanced and diverse in terms of region, area of specialization and legal status of the organization represented. A smaller PAG which mirrors the size of the Executive Committee, with fewer new members to initiate each year, will allow better focus and continuity. A more concentrated group should also enable stronger communication and interaction with the Secretariat, CG and Executive Committee.

**CGAP SUPPORT TO ITS CLIENTS IN FISCAL  
YEAR 2000**

**Microfinance institutions and practitioners**

CGAP's work with microfinance institutions centers on institutional capacity building, with a focus on broadening and deepening outreach and achieving sustainability. In fiscal year 2000, CGAP provided on-site technical assistance and advice to microfinance institutions and practitioners in many areas including business planning, external audit and internal control, strategic advice to banks downscaling into microfinance, market research and measuring the poverty levels of their clients.

In the arena of training, CGAP's capacity building program tool expanded rapidly this year. A significant investment was

**Box 2 CGAP's Policy Advisory Group**

**Current members**

Kimanthi Mutua (Chair), Kenya Rural Enterprise Programme  
Fazle Hassan Abed, Bangladesh Rural Advancement Committee  
Rosalind Copisarow, Formerly of Fundusz Mikro  
Vijayalakshmi Das, Friends of Women's World Banking  
John de Wit, Small Enterprise Foundation  
Nabil El Shami, Alexandria Business Association  
Sukor Kasim, Center for Policy Research  
Alpha Ouedraogo, Réseau des Caisses Populaires (RCPB)  
Pilar Ramirez (Chair-elect), Centro de Fomento a Iniciativas Economicas (FIE)  
Alex Silva, Profund International  
Kerfalla Yansane, Banque Centrale de la Republique de Guinee

**Former members**

Muhammad Yunus (former Chair), Grameen Bank  
Kamardy Arief, formerly of Bank Rakyat Indonesia  
Nancy Barry, Women's World Banking  
Ela Bhatt, Self-Employed Women's Association  
Renée Chao-Beroff, Centre International de Développement et de Recherche (CIDR)  
Martin Connell, Calmeadow Foundation  
Klaas Kuiper, Agency for Business Development  
Maria Nowak, Association pour le Droit à l'Initiative Economique (ADIE)  
Maria Otero, ACCION International  
Sizwe Tati, Khula Finance Enterprise Limited  
Lawrence Yanovitch, Foundation for International Community Assistance (FINCA)

made in coalescing the individual young capacity building programs through development of global product branding, marketing, enhanced communications, coordination, shared learning and joint training. A new hub was established, new courses developed and delivered, and new languages introduced.

In direct funding to microfinance institutions, the pipeline has been rebuilt and CGAP staff are very pleased to have a compelling group of potential partners to assess in the coming months. CGAP also launched the Pro-Poor Innovation Challenge as a pilot program to award very small grants to smaller and less well-known innovative microfinance institutions that CGAP staff, CG, and PAG have been unable to identify through other means.

### Technical advice and exchange

CGAP offers appraisals, business planning support, general strategic advice, and specific technical assistance to microfinance institutions.

- *ACME, Haiti:* The Association pour la Cooperation avec la Micro (ACME) is a very dynamic and entrepreneurial institution using a unique individual lending methodology to provide loans to urban microentrepreneurs in Port-au-Prince. CGAP conducted an appraisal of ACME in response to their application for funding. The CGAP appraisal highlighted some serious challenges such as poor portfolio quality, an inadequate management information system and a lack of operating procedures and internal controls that could expose ACME to operational problems and mismanagement. Following the appraisal recommendations, ACME conducted a strategic planning workshop facilitated by the USAID's PRET project to elaborate a clear, coherent strategy for boosting strengths and addressing weaknesses to best take advantage of opportunities and defend itself against threats. Moving forward, CGAP will monitor ACME's progress in consideration of a possible partnership.
- *CARD, Philippines:* CARD has over 44,000 outstanding loans with a solidarity group lending methodology to reach very poor rural women with loan balances per client equal to US\$110 or 31 percent per capita GDP. It is the largest microfinance institution in the Philippines and the first to transform into a bank. CGAP conducted an extensive on-site business planning workshop with CARD to develop strategic plans and financial projections for 2000–2004. The workshop included around 20 core top- and middle-managers, including those from all six regions in its current market and some board members for part of the time. The massive expansion planned by CARD presents systems capacity challenges. In particular, the business planning exercise identified that CARD needs to ensure sufficient middle management capacity, information systems, and processes that allow for the efficient flow of information to and from the field.
- *Project Dugganon, Philippines:* Project Dugganon (PD) reaches over 18,500 clients with a solidarity group lending methodology to reach very poor rural women with loan balances per client equal to US\$75 or 21 percent of per capita GDP. CGAP conducted another extensive on-site business planning workshop with PD to develop strategic plans and financial projections for 2000–2004. The workshop was attended by 25 staff members and by some of its board. This exercise was seen as a training opportunity for many operational staff (Area Managers, Branch Managers, and Loan Officers) who do not usually have the opportunity to see how their work fits into the “bigger picture.”
- *Government Savings Bank, Thailand:* The Government Savings Bank (GSB) is a large government-owned savings bank with 22 million savings accounts, most of them tiny passbook savings accounts used by lower-income people. GSB asked CGAP to help develop a microenterprise loan product, and in the past few months, CGAP began working with GSB management to evaluate and improve its management information systems and conduct a market survey to better understand the needs of the potential microenterprise clients. GSB presents an unusual opportunity because its existing platform, including daily savings collection, offers a valuable means to experiment with pro-poor innovation and to expand microfinance to reach several hundred thousand new clients through an existing commercial bank. However, this partnership also represents one of CGAP's riskier investments, and the next several months will be critical as the relationship evolves. Relationships of this type require more time to see if the shared vision can be transformed into a productive relationship given institutional size, national political factors, and diffuse governance.
- *K-REP, Kenya:* The Kenya Rural Enterprise Program (K-REP) was established as an NGO in 1984 and transformed into a commercial bank serving poor clients. CGAP helped the Kwa Multipurpose Cooperative Society to develop and implement an experimental employee stock ownership plan (ESOP) for K-REP employees. In addition to capitalizing the initial ESOP, CGAP and an ESOP expert

helped to simplify the ESOP structure and make it more attractive to K-REP bank staff and management. Recommendations included: mechanics of distribution of shares, options for buying additional shares, using remaining shares as an annual bonus and reducing administrative costs of managing the ESOP.

- *BN, Brazil:* Banco do Nordeste do Brasil (BN) is a commercial bank working in one of the poorest regions in Brazil reaching over 35,000 clients with loan balances per client of US\$253 or 6 percent of per capita GDP. CGAP provides advice to BN and its consultants on rolling out its microfinance product. CGAP visited BN to review previous recommendations and consider strategic issues related to a major expansion of the program to be undertaken with World Bank funding. A key focus of the ongoing discussion addresses the core building blocks of a successful branch office replication strategy—incentives, promotional strategies, management and operations, staff organization, and ex-post operational reviews.
- *XAC HAS, Mongolia:* XAC HAS was established in 1999 with the support of UNDP as a MicroStart project and is the first non-bank financial institution focusing exclusively on microfinance in Mongolia. Following their funding application, CGAP contacted XAC HAS for more information in consideration of a possible investment. In the interim, funding was approved from Finland and it was felt that CGAP's best input would be providing technical assistance in internal control, auditing and business planning in 2000 and 2001 to strengthen XAC HAS before a possible International Finance Corporation equity investment. In addition to this technical assistance, an institutional appraisal is planned for July 2000 and CGAP may consider funding in the future.
- *ACODEP, Nicaragua:* ACODEP provides individual loans to 14,500 borrowers in urban areas with a loan balance of US\$313 or 76 percent of the per capita GDP. During this year, CGAP provided technical assistance on future plans to leverage commercial sources of funds. CGAP also provided extensive advice on product mix, design and pricing and methods for deepening the poverty outreach of clients served.

### **Training and capacity building for microfinance institutions**

CGAP's capacity building initiative has grown significantly to encompass a worldwide network of six hubs and partners. During fiscal year 2000, in addition to the 24 courses and 9 train-

ing of trainers delivered, CGAP launched a new regional capacity building hub, introduced new courses, and translated the existing courses into new languages. This year CGAP also took the next steps in the development of a global network of capacity building programs, investing in global branding and marketing for the capacity building partners, bringing together the individual partners for joint training, and establishing intra-network communications to ensure that resources and lessons learned are shared among partners. A product manager has been hired to coordinate these activities, to provide support to the programs and to supervise the ongoing staffing of resource people, trainers and monitors for the programs.

- *New launch:* CGAP extended its capacity building program to China, establishing the China Microfinance Training Center (CMTTC) at the Rural Development Institute (RDI) with co-funding from the Ford Foundation. This is the first effort to bring high quality best practice courses in microfinance to Chinese practitioners in the Chinese language provided by local trainers. In addition to offering CGAP's courses, the training center will also support the RDI's ongoing policy dialogue with the People's Bank of China (the central bank) on financial sector reform.
- *New Business Planning course:* CGAP launched a new Business Planning course based on the CGAP handbook and Microfin financial projections model. This course is by far the most complex CGAP has introduced because of the technical and operational knowledge requirements, the need to understand the Microfin model, and the logistics of organizing computers for practitioners. It will take longer to identify suitable trainers and hence will have a slower roll-out.
- *Courses in development:* CGAP is working with its member donors to develop the New Product Development course especially aimed at helping microfinance institutions interested in reaching poorer clients. The course will train microfinance institution managers in carrying out market research in order to better listen to and learn from clients and develop client-responsive pro-poor products. CGAP also began working with its Asian partners to develop an Information Systems course. A course design session, held with trainers from India and the Philippines, began the course development process and the course is expected to be ready for field testing and ultimate release in coming months. Other new courses identified for development in the next fiscal year include Fraud Prevention, External Audit, and Internal Control.

- *New languages:* While all of CGAP's courses have now been translated into French and Portuguese, CGAP has also added Russian, Bosnian-Croatian-Serbian and Chinese. These translations are a critical but enormous effort.
- *International training of trainers:* Currently, relatively few people outside of CGAP staff are qualified to provide training of trainers, technical support, monitoring and course marketing for local partners. With its many courses, hubs, and languages, an exponential number of assignments will likely accumulate, representing a highly labor intensive undertaking for CGAP that competes with CGAP's many other important initiatives. To address this bottleneck, CGAP will identify and train appropriate international-quality resource persons for this purpose with a strong emphasis on locally-based resource persons. As a first step, CGAP training and testing 25 potential trainers from Europe, Asia, Africa, and the United States. The training of trainers will cover three elements: technical content of the core curriculum, course methodology, and course monitoring techniques.
- *AFCAP update:* AFCAP is the Eastern and Southern African Hub for CGAP's capacity building initiative located in Nairobi, Kenya and is co-funded by the U.K. DFID. AFCAP held an official launch from its offices in Nairobi in January 2000, although it has been planning courses, identifying training partners and marketing its services since early 1999. CGAP staff worked with AFCAP staff to refine the first-year business plan and also participated in the Program Management Committee which met periodically over the year to provide guidance on AFCAP's workplan and strategic directions.
- *CAPAF update:* CAPAF is the Francophone Africa Hub for CGAP's capacity building initiative and is jointly financed by the French Ministry of Foreign Affairs (MAE). CAPAF established permanent offices in Dakar, Senegal in January 2000. In early 2000, CAPAF hired permanent staff, conducted country needs assessments, identified potential training partners and developed a first-year business plan. CGAP staff worked with CAPAF and MAE to recruit key personnel, identify a legal identity to set up the office, and also participated in the Program Management Committee meetings to provide guidance on strategic directions.
- *Asia capacity building update:* CGAP's Asian capacity building partners in the Philippines and India continue to expand their services and to offer very well-received micro-finance courses on a cost recovery basis to the Asian market on a very ambitious schedule. CGAP staff co-facilitated a training of trainers in February 2000 for new trainers from India and the Philippines and introduced the Financial Analysis course. CGAP's Indian partner, EDA Rural Systems, extended its courses to Bangladesh and Pakistan in partnership with the South Asian Network of Micro-finance Initiatives (SANMFI), in Dhaka, Bangladesh. The Philippine partner is considering international expansion as well.
- *Microfinance Center update:* The Microfinance Center (MFC), CGAP's capacity building partner in Poland is now targeting three geographic areas for expansion: Bosnia/Herzegovina, Eastern and Central Europe, and Newly Independent States and Central Asia. CGAP worked with the MFC to develop an impressive schedule of courses for this year. To address MFC's planned growth as a training center, MFC and CGAP reviewed their overall strategy and business plan, internal organization, staffing and systems, and regional strategies for expansion. To build up the MFC cadre of trainers in each of the three targeted geographic poles, CGAP and MFC organized a regional training of trainers in May 2000 to identify and develop new potential trainers who could be certified to offer CGAP courses.

### Tools for microfinance institutions and practitioners

CGAP's tools have been one of its most important hallmarks over the past four years and are often cited by practitioners as being highly valuable to their operations. To continually improve the quality of these tools and ensure the widest distribution and best possible utility, CGAP is enhancing its Business Planning Tool, based on an external evaluation, and is translating all the tools into French and Spanish.

- *Business planning tool enhancements:* CGAP developed a Business Planning and Financial Modeling Handbook in December 1998. As part of its dissemination strategy, CGAP contracted an independent evaluation of this tool in late 1999 that included extensive user surveys, interviews, and a review of the content, technical foundation, format and distribution channels. Based on the recommendations from the evaluation, CGAP commissioned revisions with three key areas of improvement: 1) upgrading the Microfin financial model to increase the ease of use and add basic features; 2) adding new text and restructuring the Business Planning Handbook; and 3) writing technical documentation of the model, which will make it easier to revise and customize.

- *Translations:* All CGAP technical handbooks are being translated into French and Spanish so they will be more accessible and useful for practitioners. Due to the specialized nature of the material, this has been a very complex, expensive, and time-consuming process.

### Financial support for microfinance institutions

As CGAP's grant funds are ordinarily received mid-way through the fiscal year, disbursements for funding microfinance institutions generally occur in the latter part of the year. This will also be the case for fiscal year 2000. The funding applications CGAP received in the October 1999 funding cycle were, on the whole, disappointing and in the last few months CGAP has responded by proactively seeking out potential funding partners. The result is a promising group of potential partners identified, most of which are distinctly poverty outreach-focused. Appraisals are planned in the coming months.

In order to discover and learn about smaller and less well-known microfinance institutions, particularly those with innovative methodologies to reach poorer clients than microfinance norms, CGAP also launched the Pro-Poor Innovation Challenge. This is a pilot program which awards a set number of very small grants with minimal due diligence up front to smaller microfinance institutions.

- *Pipeline:* During fiscal year 2000, CGAP reviewed over 100 applications for funding. While only one applicant in the October 1999 funding cycle was retained (XAC HAS), energetic marketing in the most recent cycle led to an unprecedented number of high quality applications in April 2000. Given limited financial resources it was not possible to pursue a funding relationship with all qualified and high potential applicants. In keeping with CGAP's emphasis on institutions reaching poorer clients, while retaining a firm commitment to sustainability, CGAP has decided to schedule follow-up appraisals starting in mid-2000 with the following institutions:
  - XAC HAS, a non-bank financial institution in Mongolia, reaches poor clients in both urban and rural areas with average outstanding loan size of about 13 percent of per capita GDP. CGAP's work with XAC HAS is described in the technical assistance, advice and exchange section above.
  - Kashf Foundation, an NGO in Pakistan, began as an action research program in 1996 and opened its first branch in January 1999. Kashf serves exclusively women from low-income households with average outstanding loan size of about 23 percent of per capita GDP.
- Funding the Poor Cooperative, a specialized NGO in China, aims to provide models for microfinance in China and works in the poorest counties of China lending to poor households, particularly poor women. Its average outstanding loan size is about 3 percent of per capita GDP.
- Nirdhan, a microfinance bank in Nepal, has a mandate to provide sustainable access to financial services for poor women entrepreneurs in rural Nepal. Its average outstanding loan size is about 25 percent of per capita GDP.
- Pro-Mujer, an NGO in Bolivia, makes a deliberate effort to target very poor women. Pro-Mujer reaches a significantly poorer clientele than other Bolivian microfinance institutions—average outstanding loan size is about 5 percent of per capita GDP.
- Fondation Zakoura, an NGO in Morocco, was founded in 1995 and reaches women below the poverty line in poor rural and urban communities. Average outstanding loan size is approximately 3 percent of per capita GDP.
- Taimako, a microfinance institution in Niger, serves over 10,000 savers and borrowers in both rural and urban areas. The majority of clients are women. Taimako is decentralizing and expanding service in rural areas from its current base of operations in the capital city and peri-urban zone.
- Pride, a microfinance institution in Guinea, provides savings and loan services on a national level, with over 10,000 active loans as of March 2000. Average outstanding loan sizes are about 50% percent of per capita GDP. Pride recently obtained its license and is transforming into a nationally regulated institution.
- Women's World Banking Facility for Affiliate Capitalization will offer equity funding to thirteen affiliates in Africa, Latin America, Asia and Eastern Europe. The capital will have an effect on expanding the outreach to more poor and poorest women, leveraging domestic resources and increasing sufficiency of the institutions.
- MicroSave-Africa (MSA) is a project aimed at promoting a greater understanding of the financial needs of the poor by microfinance institutions, with a strong emphasis on the value of savings services (see donor section for more information).
- *Pro-Poor Innovation Challenge:* In the last year, CGAP used all available channels to identify institutions focused on increasing the depth and breadth of outreach to

poorer clients. While several innovative examples were identified, CGAP wanted to go further to find out about lesser known, perhaps smaller and younger, institutions working towards this goal. CGAP launched an experimental pilot awards program, the Pro-Poor Innovation Challenge, to provide US\$50,000 grants to four poverty-focused microfinance institutions. The objective of the program is to provide an important learning opportunity for CGAP and for the industry and a valuable means of identifying small microfinance institutions that may warrant funding. Despite the deliberately short time frame allowed to apply, over 225 applications were received. More important, most of these institutions were precisely those targeted—small, poverty-focused, and unknown to CGAP—and some were indeed engaged in very interesting methodologies and instruments to reach extremely poor clients. CGAP announced the four award recipients on May 30, 2000 and will disburse the funds by mid-June.

- GRET, Cambodia is an experimental project providing health insurance and primary health care facility to the rural poor in Cambodia. Product design is based on extensive market research and participatory demand analysis.
- Swayam Krishi Sangam Microfinance Ltd in Hyderabad, India is a small MFI using a peer lending methodology. The proposed project is to introduce smart cards to lower the high transaction cost of providing financial intermediation for very poor clients in remote areas.
- Freedom from Hunger, Ghana enhances the capacity of existing financial intermediary institutions through linking credit with non-formal adult education to improve health and nutrition of clients and their family.
- CBIDIBA, Benin is an NGO providing savings and loan services and non-financial services such as literacy training and information on legal rights to clients in urban and rural areas. Since 1999, CBDIBA has launched new savings and loan products targeted exclusively at very poor women who are single heads of households in remote rural areas.

CGAP hopes to learn from these institutions through follow-up visits and potential institutional case studies. Application forms of those institutions not selected will be made available to interested member donors. CGAP staff intend to make a proposal to the Investment Committee to institute this program on a semi-annual basis.

- *Monitoring:* As all of CGAP's investments are perform-

ance-based, monitoring the microfinance institution partners plays a very important role in CGAP's partnerships with microfinance institutions. This monitoring takes the form of 1) visiting institutions in the field to review performance and provide technical advice; 2) receiving and analyzing performance reports from microfinance institutions; 3) advising management on operational issues; 4) providing resources or experts on critical challenges faced by microfinance institutions; and 5) disbursing new funds when performance targets are met. CGAP is currently monitoring about 20 microfinance institutions and networks.

- *Completed Investments:* Over the course of the year, CGAP concluded partnerships with ACODEP in Nicaragua, ACEP in Senegal, Nirdhan in Nepal, Save the Children in the Middle East, and Ahantaman and Nsoatreman Rural Banks in Ghana.

### MEMBER DONORS

Improving member donor best practice is one of the key themes established by the CG and PAG at the outset of CGAP II. This year the CGAP Secretariat has increased its focus on services to the member donor community with renewed energy and commitment. To support the effort, a system of contact people for each member donor among the technical staff was instituted and all interactions between Secretariat and CG members tracked.

While the individual contacts, referrals, and consultations are important, they are not the most effective way for the limited CGAP technical team to serve its member donors. Instead, services and tools that leverage the Secretariat's resources, have been emphasized over individual services. These types of leveraged, multi-donor products include the Reporting Guidelines for MFI Financial Statements, the Poverty Assessment tool which can be used for donor appraisals, the Global donor portfolio database now in development, and the group training of donor staff in Europe.

Another new direction has been the Secretariat's efforts to build a connection with member donor field staff. An email list of member donor field staff experts enables the Secretariat to consult with donor operational staff on new initiatives and potential services. Reinforcing this effort, the Secretariat has made a point of convening donor field staff in-country to learn about their needs and issues and how CGAP can be helpful to them. Finally, an effort is underway to explore what has worked and what has failed in the area of in-country donor coordina-

tion. The objective is to draw lessons and to highlight success stories in hopes of inspiring local initiatives for effective in-country donor coordination initiatives in other countries.

### Technical advice and exchange

- *Relationship managers:* Over the course of this year, CGAP has formalized its structure for meeting donors needs by designating CGAP as “relationship managers” for each member donor. This year, CGAP staff have provided advice on strategy documents and business plans, reviewed reference guides and training materials, provided input into regulatory work, responded to information queries, provided referrals and other types of advice and exchange. (See Annex for a list of member donors and their relationship managers and a selective log of communications between the Secretariat, CG, Executive Committee PAG and field staff.) A full list of all interactions is available if requested.
- *Building CGAP connection with donor field staff:*
  - *Nicaragua:* CGAP staff met with a group of local donor representatives in Nicaragua to share information and to address pending legal and regulatory issues.
  - *Uganda:* CGAP convened a group of local donors in Uganda and helped focus the group on long-term strategic issues related to coordination. A subsequent strategic planning session facilitated by AFCAP/CGAP staff resulted in a statement of a joint vision for the future of microfinance in Uganda.
  - *Morocco:* CGAP staff met with local donors in Morocco to learn more about the local microfinance environment, to understand the donor staff’s needs and to initiate discussions about the CAPAF program.
  - *India:* CGAP staff met with local donor and government agencies in India to describe CGAP’s capacity-building initiative and address the need for the support of CGAP

Table 1 **Support to microfinance institutions and practitioners**  
(U.S. dollars)

Type of investment	Area	Amount
<b>Technical advice and exchange</b>		<b>49,600</b>
Appraisals, Business Planning and Monitoring	Africa, Asia, Latin America	49,600
<b>Training and capacity building</b>		<b>640,000</b>
China Capacity Building Initiative	China	440,000
Capacity-building coordination, training and materials	Global	200,000
MicroSave-Africa	Africa	Evaluation completed
<b>Tools for retail microfinance</b>		<b>92,500</b>
<i>Business Planning Enhancements</i>	Global	92,500
<b>Funding for retail microfinance institutions</b>		<b>1,100,000</b>
Government Savings Bank	Thailand	900,000
CGAP Pro-Poor Innovation Challenge	Global	200,000
XAC HAS	Mongolia	Appraisal planned
Funding for the Poor	China	Appraisal planned
Nirdhan	Nepal	Appraisal planned
Kashf Foundation	Pakistan	Appraisal planned
Foundation Zakoura	Morocco	Appraisal planned
Pro-Mujer	Bolivia	Appraisal planned
Pride	Guinea	Appraisal completed
ACME	Haiti	Appraisal completed
Taimako	Niger	Follow-up in progress
WWB Affiliate Capitalization	Global	Appraisal planned
<b>Total funding commitments as of May 2000</b>		<b>1,882,100</b>

member donors for the overall cost-recovery approach to building a local market for training services.

- *European Union:* CGAP participated in the European Union Meeting of Microfinance Experts in Brussels in October and gave a presentation on Donor Flows in Microfinance.
- *West Africa:* CGAP participated in the BCEAO Annual Donor Meeting in Lomé in December and served as a resource for training initiatives in the West African region.
- *Africa:* CGAP attended USAID's Rural Finance Workshop in Mali in April, chaired a panel on Funding Opportunities for Microfinance Institutions and participated in a donor meeting on Africa.
- *In-country donor coordination:* CGAP has solicited examples of in country donor coordination from the donor field staff and plans to identify five or six countries to visit. CGAP hopes to obtain a better understanding of the effectiveness of different models and structures where local donor staff participate and explore the type of input that would be useful from the Secretariat. A paper on this exploratory phase will be presented at the CG Meeting in June 2000 to generate discussion about the Secretariat's role.
- *MicroSave Evaluation:* This year, CGAP was invited to perform an extensive mid-term review of the MicroSave-Africa (MSA) program jointly with MSA's financial supporters DFID and the UNDP. MSA aims to promote greater understanding of the financial needs of the poor by microfinance institutions, with a strong emphasis on the value of savings services. The review team found that in scarcely over one year, MSA has made a significant impact on the microfinance community, both in East Africa and beyond, particularly in the area of understanding the client's perspective in microfinance. The review team endorsed an extension of MSA into a second phase and also encouraged collaboration with AFCAP. CGAP plans to co-fund MSA in the second phase.
- *Working Groups:* CGAP's Working Group on Impact Assessment hosted the Third Virtual Meeting on Microfinance Impact Assessment in October 1999. The objective of the meeting, which was based on discussions on the paper "Guidelines for Microfinance Impact Assessments," was to reach agreement about guidelines for middle-range impact assessments of microfinance programs. Most participants felt that the guidelines have successfully simpli-

fied high cost, complex impact assessment into a middle-range approach.

### Training for member donors

CGAP supports different options for donor training to upgrade the knowledge and skills of donor staff involved in microfinance.

- *CGAP Donor Training in Europe:* CGAP offered the "Overview of Microfinance" and "Appraising an MFI" courses at the first regional training for European donor staff in Geneva in April. The Swiss Development Corporation and the International Labour Organisation hosted both courses and provided the logistical support. The courses were attended by 40 donor staff and consultants for donors from 11 agencies. The two courses were rated highly, and CGAP will continue to update the courses and deliver them to more donors. The next course is planned for Asia in late 2000.
- *Donor Training at Boulder:* CGAP staff serve as trainers at the Microfinance Training Program (MFT), Economics Institute in Boulder, Colorado. The MFT is a highly acclaimed training resource that focuses on program design, policy and program management issues for microfinance practitioners and donors. CGAP trainers consistently receive the highest ratings on student evaluations of trainers. This year, CGAP staff will introduce a new training module on increasing poverty outreach of microfinance institutions and will also present a module dedicated specifically to donor issues. In exchange for training, CGAP received a limited number of tuition scholarships which were offered to contributing member donors.
- *UNDP Donor Training:* CGAP funds and works with a UNDP-led effort to develop training modules designed for the specific needs of donor staff. This year, a pilot workshop in Bolivia brought together more than 40 microfinance professionals and representatives, mainly from donor agencies. The seminar was co-sponsored by the UN's Special Unit for Microfinance (SUM), Bolivia's Institute for Microenterprise Policy, the Government of Spain and CGAP. Workshop participants explored many different dimensions to microfinance, including the need to assess the technical, managerial and financial sustainability of institutions. Participants interacted with three strong microfinance institutions in Bolivia and applied analytical concepts learned in the workshops. The next two courses will be in Egypt in November 2000 and Cambodia in February 2001.

### Tools and services for member donors

- *Poverty Assessment Tool:* Understanding and being able to compare the poverty levels of microfinance clients poses an ongoing challenge for the industry. Consequently, it has been difficult for poverty-focused donors to incorporate information on the poverty outreach of microfinance institutions into their appraisals. CGAP contracted the International Food and Policy Research Institute (IFPRI) to design and test an operational tool for assessing the poverty levels of microfinance clients for use primarily by donors. The tool can also be employed by other investors and by microfinance institution managers. During this year, IFPRI conducted four field tests with CGAP partners in India, Madagascar, Kenya, and Nicaragua to develop and improve the poverty assessment tool. CGAP Secretariat staff participated in the four workshops that concluded each of the field tests. The tool is expected to be released in July 2000.
- *Global Donor Portfolio Database:* At the request of the member donors, the Secretariat conducted a Donor Portfolio Survey prior to the June 1999 CG Meeting. However, inconsistencies among the donor reports were serious enough to cast doubt on the survey results. At their meeting in October 1999, the Executive Committee urged the Secretariat to undertake further work on member donor portfolios, but on the condition that member donors agree on one simple common format and commit to supplying portfolio information to CGAP in that format in the future. CGAP would use the data to analyze the trends in donor flows and would develop a searchable database of all donor projects (with contact information) accessible to participating donors. The Secretariat circulated a suggested reporting format for donor portfolios in December 1999, incorporated comments, and will present a final format at the CG Meeting in June 2000 for approval by CGAP's member donors.
- *Microfinance institution financial statements:* Microfinance institution financial statements seldom include enough information to permit clear understanding of the institution's portfolio quality and financial sustainability. At the same time, there is wide consensus among financial analysts about the kind of information that needs to be included to correct this problem. Over the last several months the Secretariat worked with member donors to devise guidelines for the content of microfinance institution financial statements. Implementing such guidelines would not only improve the transparency and meaning-

fulness of financial statements, but also serve as a tangible example of the donors' willingness to coordinate an important dimension of their microfinance support. The Secretariat circulated draft guidelines to member donors in March 2000 for evaluation and comment. CGAP hopes that a consensus document can be formally endorsed at the CG Meeting in June 2000 and used by individual member donors.

- *Proposed appraisal and monitoring service:* To enhance the Secretariat's usefulness to CGAP's member donors and leverage CGAP's investment fund, the Secretariat proposed to offer a unified appraisal and monitoring service in certain cases where multiple donors considering support to the same microfinance institution. As compared to a single-donor relationship, multi-donor support to a microfinance institution typically involves significantly higher transaction costs, for the microfinance institution as well as the donors: multiple (and usually duplicative) appraisals, project documentation, negotiation of agreements, monitoring and reporting, audits, and evaluations. Yet arranging all the support a microfinance institution needs from a single donor is often impractical. The idea of a CGAP Appraisal and Monitoring Service was circulated to member donors in May and will be discussed at the CG Meeting in June 2000.

### Financial Support

See table 2 for a list of new activities to support donors in fiscal year 2000.

### MICROFINANCE INDUSTRY

As a multi-donor consortium, CGAP is uniquely positioned to contribute tools and services for the benefit of the microfinance industry as a whole. Increasingly, CGAP's support to the industry involves fostering the development of the 'equipment' and infrastructure that a strong, healthy and growing microfinance industry will require. This effort involves helping to develop the service providers on which the microfinance industry will depend, such as external auditors, information systems specialists, rating agencies, credit bureaus, and local training and technical assistance providers. It also involves encouraging transparency and shared information such as the MicroBanking Bulletin. Finally, CGAP's work for the industry as a whole seeks to contribute to the learning and the coordination of efforts for the industry. Examples include the development of a case study framework with other donors,

## Consultative Group to Assist the Poorest

Table 2. **Support to donors**  
(U.S. dollars)

Type of investment	Area	Amount
<b>Strategic advice and technical exchange</b>		<b>30,000</b>
MicroSave-Africa Evaluation	Global	30,000
<b>Training and capacity building</b>		<b>25,800</b>
Donor Training	Global	25,800
<b>Total funding commitments as of May 2000</b>		<b>55,800</b>

the development of the microfinance gateway and other means of information dissemination such as the pro-poor innovation case studies.

### Technical advice and exchange

- *Poverty Workshop*: The poverty outreach of microfinance institutions is a key concern facing the industry. In November 1999, CGAP organized a two-day workshop bringing together key practitioners, experts and donors to address this topic. Much of the discussion centered on the challenge of developing risk- and vulnerability-responsive financial products for microfinance clients. The workshop provided concrete inputs into developing a strategy and workplan for CGAP in the area of deepening poverty outreach of microfinance by suggesting new activities and ways to incorporate a poverty focus into ongoing activities. New activities stemming from the workshop include the case study series and the new product development work.
- *New product development task force*: Donors and microfinance institutions recognize new product development as a core challenge for the microfinance industry. Increased competition, lack of outreach to the very poor, and high dropout rates in many programs have focused attention on the need to listen to clients to develop appropriate and viable financial services. In response to this growing need, a number of donors and projects are in the process of developing operational tools that practitioners can use to design demand-responsive microfinance products. CGAP convened representatives from a number of member donors and other stakeholders to take stock of new product development work completed to date, identify gaps or weaknesses in the current work; and develop a joint workplan. Going forward, CGAP will serve as a technical resource,

convene the newly formed New Product Development Task Force, and disseminate tools and training through its capacity building network.

- *Framework for Case Studies*: In the field, many institutions have developed a number of new financial products, with varying levels of success. Learning from these experiences sheds light on the processes involved and the various challenges in product innovation. To better understand product innovation, CGAP and other organizations are conducting several case studies on this topic. In consultation with donors, CGAP has developed a framework to allow for comparability and compilation of the results for constructing case studies on pro-poor product innovation in microfinance. The framework follows the product development cycle and allows for analysis of both the “story” of innovation and the impact on the institution that initiated the innovation.
- *Pro-Poor Innovation Case Studies*: CGAP is conducting case studies to document experiences of innovative ways microfinance institutions reach and affect very poor people. Through this documentation, CGAP hopes to achieve three purposes: (1) expand the focus of financial services for the poor beyond microcredit; (2) identify innovative financial products and services for CGAP funding; and (3) encourage microfinance institutions to implement or adapt similar innovations into their programs in their local context.
- *Savings*: In conjunction with CGAP’s ongoing work on savings, CGAP collaborated with MicroSave to review the savings experience of the Association for Social Advancement (ASA) in Bangladesh. The purpose of this review was to draw lessons for both ASA and the microcredit community at large about the process of offering voluntary deposit services when an institution simultaneously maintains a strong commitment to its

‘compulsory’ savings feature. This case study will be released in June 2000.

- *Flexible Financial Services:* CGAP is working with SafeSave to analyze its clients’ history to better understand the financial service preferences of the poor when given the flexibility to choose a combination of savings and credit. SafeSave is a savings bank for poor people offering convenient and flexible financial services to men, women and children of the poorest slums of Dhaka, the capital of Bangladesh. This case study will be released in June 2000.
- *Safety Net Linkages:* CGAP is exploring the potential of partnerships between traditional safety net programs and microfinance institutions by carrying out a case study of the Bangladesh Rural Advancement Committee (BRAC) IGVDG program. BRAC organizes women in a government sponsored safety net program into groups, starts them off on a savings program, provides them with income generating activity training and provides credit for income generation. At the end of the safety net program period, women will have accumulated some assets and gained access to BRAC’s regular microfinance program. This case study will be released in June 2000.
- *Health Insurance Linkages.* Given their broad outreach, microfinance institutions have a potential role in facilitating health insurance coverage to the poor. Microfinance institutions have a comparative advantage in targeting clients and collecting fees. To highlight different workable health insurance models, CGAP is collecting information on SEWA in India, Grameen Health Insurance in Bangladesh, Gonoshasthya Kendra in Bangladesh, GRET Cambodia, and FINCA Uganda. A publication on findings is planned for later this year.
- *Community-Financed Infrastructure.* There are a few very interesting examples of using microfinance to meet the infrastructure needs of poor communities and provide the poor with affordable water, sanitation, roads and other facilities. CGAP is conducting a case study of such experiences (at SEWA in India and Proshika in Bangladesh and elsewhere) to determine how the free rider problems with these “public goods” are handled and how management problems with maintenance are resolved.
- *Future case studies:* In addition to the case studies already underway, CGAP is exploring case studies on old age savings (pensions), remittance services and other innovative pro-poor products.
- *Audit Program:* The External Audit capacity building program seeks to improve the quality of external audits for microfinance and builds on the CGAP Audit Manual released last year. The program has two main objectives: 1) on the demand side, to provide microfinance institutions/donors/bank supervisors with procedural guidance for good quality microfinance institution audits; and 2) on the supply side, to build the capacity of local audit firms and develop audit guides and training curriculum for auditors. This initiative provides an opportunity for meaningful collaboration between CGAP, its member donors, microfinance institutions and microfinance supervisory authorities to effectively address the lack of transparent and accurate financial information. The program has four main components: i) Audit Support Service: CGAP is developing a web-based information center and help desk to assist donors and microfinance institutions in commissioning external audits on the CGAP homepage, [www.cgap.org](http://www.cgap.org). ii) Audit Program in Africa: In partnership with Développement International Desjardins (DID), CGAP launched the first-ever external audits of three DID African credit unions external audit project with three partners OTIV/Madagascar, Nyesigiso/Mali and Pamecas/Senegal. iii) Audit Program in Bosnia: CGAP staff developed and delivered a training course for external auditors to learn about audits for microfinance institutions in Bosnia-Herzegovina which was organized by the World Bank-funded Local Initiatives Project (LIP). iv) Audit Program in Mongolia: CGAP is working with International Finance Corporation to provide funding and technical assistance for the external audit of XACHAS in Mongolia.
- *Legal Study and Workshop:* CGAP, in collaboration with France, IFC and U.S. AID, commissioned a study to analyze the strengths, weaknesses and costs of each of the four legal choices available to microfinance institutions in West Africa. The study served as the basis for a small technical workshop attended by representatives from the BCEAO, the three microfinance institutions used as case studies, representatives from the related three Ministries of Finance that supervise these microfinance institutions, and the donors who funded the work. During the technical seminar, participants clarified a number of legal issues and identified remaining challenges for microfinance institutions seeking to transform into a bank or financial institution.

### Training

Because of its small staff, CGAP limits its participation in microfinance industry conferences and workshops to a small number of strategic opportunities to share the lessons learned through its work. The conferences at which CGAP staff served as a resource person this year are listed below.

- Conference on New Development Finance, Frankfurt. Contribution: Presentations on Regulation and Supervision, and Dynamics of Donor Project Selection.
- Commercial Microbanker Conference, Brazil in September. Contribution: Served as facilitator.
- Latin American Microfinance Conference, Lima in October. Contribution: Keynote Presentation on Trends and Challenges of Growth for Microfinance in Latin America.
- Microfinance Network Annual Conference, Bangladesh in November. Contribution: Presentation on Desertion Measurement and Management and served as a resource on a discussion of regulatory issues and options.
- Microfinance Center Annual Meeting, Croatia in May. Contribution: Keynote speaker on Global View of Microfinance and Results to Date.
- Brazilian Development Bank Conference, Rio de Janeiro in May. Contribution: Presentations on Audit Challenges for Microfinance Institutions and CGAP's Audit Program.
- Annual Meeting of ACCION Affiliates, May 2000. Contribution: Keynote Presentations to NGOs and Regulated Institutions on the State of Microfinance in Latin America.

### Tools and services

- *Microfinance Gateway*: As part of its website, CGAP introduced the Microfinance Gateway, created in partnership with Institute of Development Studies (IDS-ELDIS), a recognized leader in on-line information for the development industry. The Gateway is a web-based bibliographic database of about 2,000 microfinance documents that have been reviewed, with key-words recorded and abstracts produced, to create a unique search engine for microfinance documents on the internet. The Gateway's objective is to improve practitioners' access to microfinance documents, training materials and technical tools.
- Website: The CGAP website ([www.cgap.org](http://www.cgap.org)) is fast becoming the preferred means to communicate with and disseminate information to CGAP stakeholders. To take

advantage of the internet's increasingly pivotal role in information dissemination, its widespread accessibility, and efficiency, CGAP has revamped its website with the goal of making it the centerpiece of its dissemination effort.

- Information Systems Consumer Report Service: Over the last few years, a number of Information System (IS) packages have been introduced into the microfinance industry. Many practitioners have trouble choosing the right package for their institution because they have little information or feel unqualified to make judgements among packages. For this reason, CGAP plans to undertake the first unbiased, independent review of IS packages for microfinance institutions and provide an on-line service to microfinance institutions.
- Regulation Paper: CGAP published Occasional Paper No. 4, "The Rush to Regulate: Legal Frameworks for Microfinance." The paper cautions against premature regulation of microfinance and provides some perspectives on the appropriateness of regulation and supervision of different types of microfinance institutions. This paper has received widespread distribution and forms part of the policy dialogue in many countries around the world. Seminars have been conducted at the World Bank and the IFC to disseminate the messages of the paper to staff in frequent dialogue with local regulators and supervisors.
- Apex Study: Apex mechanisms are typically wholesale facilities intended to provide funding and/or technical assistance to a sizable number of different micro-finance retail programs. CGAP commissioned a study to review lessons learned in past micro-finance projects that were implemented through national funds and other "apex" mechanisms. The purpose of the research was to explore common experiences and lessons to determine how and when these sorts of institutions are appropriate channels for funding to the micro-finance retail sector. This year, CGAP commissioned some additional research to clarify and finalize the paper.
- *MicroBanking Bulletin update*: Issue No. 4 of the MicroBanking Bulletin, now managed by Calmeadow and funded and supported editorially by CGAP, was released in February 2000. In addition to the financial information organized by peer groups on more than 100 leading micro-finance institutions, this issue focuses on the importance of efficiency. The Bulletin is rapidly being adopted as the standard for reporting financial results of microfinance institutions around the world. Several local networks either actively use or plan to use the MicroBanking Bulletin format for reporting the results of their affiliates.

- *New Focus Notes:* CGAP released three new Focus Notes this year synthesizing key studies released by microfinance experts:
  - Focus Note 15, “Raising the Curtain on the Microfinancial Services Era,” discusses the evolution of development finance and reveals some observations about how poor people use financial services.
  - Focus Note 16, “Those Who Leave and Those Who Don’t Join: Insights from East African Microfinance institutions,” examines the reasons why clients drop-out of programs or do not participate at all.
  - Focus Note 17, “Microfinance and Risk Management: A Client Perspective,” highlights the importance of focusing on risk and vulnerability as a way of understanding the interface between poverty and microfinance.

### Funding

Table 3 presents total CGAP commitments during fiscal 2000 for industry services and tools.

## BUDGET AND CONTRIBUTIONS

### Donor contributions to CGAP

CGAP has seen a significant increase in financial support from more CG members than in the past. Financial participation in CGAP by its member donors becomes increasingly crucial as the CGAP team increasingly becomes a resource center for the industry. In CGAP2, the proportion of contributions by the bilateral member donors reached 33 percent in FY1999 and increased to 42 percent for FY2000 (See table 4).

In coming years, CGAP will require greater financial participation from CG members other than the World Bank for several reasons. First, to be a true multi-donor initiative, a broader group of donors must contribute to CGAP with a greater balance to ensure a greater sense of ownership than the current funding structure allows. Second, the World Bank’s current mechanism to fund CGAP, the Development Grant Facility (DGF), has been limited to funding only up to 15 percent of the total budget of multi-donor initiatives such as CGAP. Finally, and most critically, further DGF support of CGAP is conditional upon a demonstrated disengagement strategy; the World Bank’s proportion of overall funding, must be gradually and systematically reduced. Given that the DGF currently provides the majority of CGAP’s funding, these conditions will require additional resources for CGAP from CG members without contemplating an increase in the overall budget.

To meet the challenge of raising adequate funding for CGAP for the next three years, Kathryn Imboden, Chair of the CG’s Executive Committee, and Elizabeth Littlefield, CGAP’s Director, have launched a four-pronged initiative:

- to develop a mechanism that will enable multilateral agencies (regional development banks and UN agencies) to make a financial contribution.
- to assure funding from bilateral members who are not yet contributing members and to obtain future commitments from existing contributing members beyond FY 2000.
- to mobilize additional funds from all current financing members (other than the World Bank)

Table 3 **Support to industry**  
(U.S. dollars)

Type of investment	Area	Amount
<b>Strategic advice and technical exchange</b>		<b>691,900</b>
External Audit Capacity Building	Global	550,000
Poverty Case Studies	Global	141,900
<b>Tools and services</b>		<b>295,000</b>
Microfinance Gateway	Global	199,000
Publications	Global	38,697
CGAP Website	Global	35,000
Apex Study	Global	22,303
<b>Total funding commitments as of May 2000</b>		<b>986,900</b>

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Table 4 **Commitments to CGAP**  
(U.S. dollars)

	<b>FY1999</b>	<b>FY2000</b>
<b>Bilateral members</b>	<b>3,035,993</b>	<b>5,109,183</b>
Australia	306,250	232,645
Belgium		383,035
Canada	336,066	328,246
Denmark	250,000	250,000
Finland	200,052	268,107
France*		
Germany		176,625
Italy		283,217
Japan		
Luxembourg	322,950	332,950
Netherlands	534,773	488,615
Norway	385,902	377,643
Sweden		328,100
Switzerland	300,000	300,000
U.K. (DFID)**		150,000
U.S. (USAID)***	400,000	1,210,000
<b>Multilateral members</b>		
European Commission		
World Bank	6,294,000	6,994,000
<i>Regional Development Banks</i>		
African Development Bank		
Asian Development Bank		
Inter-American Dev. Bank		
<i>UN Agencies</i>		
IFAD		
ILO		
UNCDF		
UNCTAD		
UNDP		
<b>Total</b>	<b>9,329,993</b>	<b>12,103,183</b>

\*Although France has not pledged any new funds for 1999 and 2000, funds disbursed previously are being used to pay the salary of one technical staff. France has also co-funded CAPAF.

\*\*In addition to the pledge for 2000, U.K. DFID has also co-funded AFCAP.

\*\*\*In addition to the pledges for 1999 and 2000, U.S. AID has co-funded CGAP's initiative with the International Visitor's Program at BRI.

- to introduce potential new members to the CG, particularly private donors in Europe and the United States who are active in microfinance.

### Operating budget

Table 5 shows the CGAP's total operating budget for fiscal year 2000. This budget includes all costs associated with implementing the CGAP program including disbursements to investments, staff costs for technical assistance, training, tool development, investment appraisal and monitoring, operational travel, meetings with the CG, Executive Committee, and PAG, administrative support and office costs. Staff costs are allocated to CGAP activities using the time recording system introduced at CGAP this year.

The overhead costs are only 7 percent of CGAP's fiscal year 2000 budget which is very small relative to the massive activity level and global constituency that CGAP serves.

Table 5 **Operating budget for CGAP\***  
(U.S. dollars)

	<b>FY2000 Operating budget</b>	<b>FY2000 Percentage of total</b>
<b>Microfinance institutions</b>	<b>4,440,461</b>	<b>55%</b>
Technical advice and exchange	2,653,504	
Training and capacity building	1,737,865	
Tools and services	49,092	
<b>Member donors</b>	<b>973,177</b>	<b>12%</b>
Technical advice and exchange	496,297	
Training and capacity building	224,588	
Tools and services	252,292	
<b>Microfinance industry</b>	<b>2,155,353</b>	<b>26%</b>
Technical advice and exchange	1,131,291	
Training and capacity building	199,251	
Tools and services	824,811	
<b>Overhead</b>	<b>570,417</b>	<b>7%</b>
<b>Total</b>	<b>8,139,408</b>	

\*Operational expenses are estimated based on data from May 2000.

## Consultative Group to Assist the Poorest

### ANNEX

#### Box A1 Relationship managers

##### CGAP member donor

Australia  
Belgium  
Canada  
Denmark  
European Commission  
Finland  
France  
Germany  
Italy  
Japan  
Luxembourg  
The Netherlands  
Norway  
Sweden  
Switzerland  
United Kingdom  
United States  
World Bank/IFC  
African Development Bank  
Asian Development Bank  
European Bank for Reconstruction and Development  
Inter-American Development Bank  
International Fund for Agriculture and Development  
International Labour Organisation  
UNCDF  
UNCTAD  
UNDP

##### CGAP staff relationship manager

Patricia Mwangi  
Xavier Reille  
Jennifer Isern  
Patricia Mwangi  
Xavier Reille  
Patricia Mwangi  
Jennifer Isern  
Imran Matin  
Brigit Helms  
Elizabeth Littlefield  
Xavier Reille  
Syed Hashemi  
Patricia Mwangi  
Patricia Mwangi  
Robert Christen  
Brigit Helms  
Richard Rosenberg  
Elizabeth Littlefield  
Jennifer Isern  
Syed Hashemi  
Xavier Reille  
Richard Rosenberg  
Imran Matin  
Brigit Helms  
Richard Rosenberg  
Brigit Helms  
Richard Rosenberg

Table A1 Checklist of communications from CGAP to the Consultative Group, Policy Advisory Group, Executive Committee and Donor field staff

Date	Recipient	Communication	Requested action
<b>July 1999</b>	CG & PAG	CG Meeting proceedings from Abidjan	FYI
<b>October 1999</b>	CG & PAG	Final Business plan and workplan	FYI
<b>October 1999</b>	CG & PAG	Foundation briefing note	FYI
<b>October 1999</b>	CG & PAG	Minutes of Excom Meeting	FYI
<b>October 1999</b>	CG & PAG	Roles of Excom & PAG	FYI
<b>November 1999</b>	CG	Request for donor field staff e-mail addresses	Feedback

(Table continues on next page)

Table A1 Checklist of communications from CGAP to the Consultative Group, Policy Advisory Group, Executive Committee and Donor field staff (continued)

Date	Recipient	Communication	Requested action
<b>December 1999</b>	CG	Global Donor Portfolio Format V.1	Feedback
<b>December 1999</b>	CG & PAG	Summary of CGAP Poverty Workshop	FYI
<b>December 1999</b>	CG & PAG	"The Rush to Regulate"	FYI
<b>January 2000</b>	Ex. Com.	Reminder for comments on Donor Portfolio Format	Feedback
<b>January 2000</b>	CG	CGAP training courses for donors announcement	FYI
<b>January 2000</b>	CG & PAG	CGAP Update and New Year's greeting	FYI
<b>January 2000</b>	CG & PAG	Donor responsibilities of CGAP Staff	FYI
<b>February 2000</b>	PAG	PAG/Secretariat Meeting Agenda	Feedback
<b>February 2000</b>	CG & PAG	Quarterly Report (Oct – Dec)	FYI
<b>February 2000</b>	Field Staff	Audit Program	Feedback
<b>March 2000</b>	CG	AFD's new microfinance strategy document	FYI
<b>March 2000</b>	CG	Joint Financial Statement Guidelines	Feedback
<b>March 2000</b>	Field Staff	In Country Donor Coordination	Feedback
<b>March 2000</b>	PAG	Core Fund Criteria	Endorsement
<b>March 2000</b>	PAG	Documents from PAG Meeting including request for endorsement of new PAG size	Endorsement
<b>March 2000</b>	PAG	Role of Investment Committee	Endorsement
<b>March 2000</b>	Ex. Com.	Core Fund Criteria	Endorsement
<b>March 2000</b>	Ex. Com.	Documents from PAG Meeting including request for endorsement of new PAG size	Endorsement
<b>March 2000</b>	Ex. Com.	Role of Investment Committee	Endorsement
<b>April 2000</b>	CG	Global Donor Portfolio Format V.2	Feedback
<b>April 2000</b>	Ex. Com.	Core Fund Criteria (2nd request)	Endorsement
<b>April 2000</b>	Ex. Com.	Role of Investment Committee (2nd request)	Endorsement
<b>April 2000</b>	PAG	Core Fund Criteria (2nd request)	Endorsement
<b>April 2000</b>	PAG	Role of Investment Committee (2nd request)	Endorsement
<b>April 2000</b>	CG & PAG	Quarterly Report (Jan – Mar)	FYI
<b>April 2000</b>	CG	Core Fund Criteria	Feedback
<b>April 2000</b>	CG	Documents from PAG Meeting including request for endorsement of new PAG size	Endorsement
<b>April 2000</b>	CG	Role of Investment Committee	Feedback
<b>April 2000</b>	Field Staff	Summary of results from Audit Program	FYI
<b>May 2000</b>	CG	Joint Appraisal and Monitoring Service	Feedback

