ADVANCING FINANCIAL ACCESS FOR THE WORLD'S POOR

ANNUAL REPORT 2012

CGAP

WHO WE ARE

CGAP is an independent research and policy organization dedicated to expanding access to finance for poor people around the world. CGAP was created in 1995 by a group of leading donors and practitioners with the mandate to develop and share best practices, set standards, and develop technical tools to support the development of the field. Today, CGAP is supported by more than 30 development agencies and private foundations that share a common vision to foster development and alleviate poverty by advancing access to financial services.

OUR VISION

CGAP works toward a world in which poor people are considered valued clients of their country's financial system. In our vision, microfinance will be integrated into mainstream financial systems that serve all the unbanked, including very poor and harder-to-reach clients with ever more high-quality, convenient, and affordable financial services. All actors will be focused on responsible finance, with the well-being and needs of clients at the center of strategy and operations. We believe this vision to be attainable within our lifetime.

This Annual Report presents CGAP's work in Fiscal Year 2012 (1 July 2011 through 30 June 2012). Our key achievements are described according to the key strategic areas set forth by CGAP's members for FY2009–FY2013, along with a recently added focus area around clients.

TABLE OF CONTENTS

2012: MAKING REAL PROGRESS IN FINANCIAL INCLUSION

Financial inclusion advanced last year. Providers and policy makers accelerated efforts to translate their better understanding of demand-side needs into new product and policy approaches. Business model innovation aimed at increasing reach and lowering costs continued apace, in particular through the use of new technologies. The Global Financial Standard-Setting Bodies recognized the risks of financial exclusion, and nearly 40 developing countries and emerging markets with a combined population of 1.7 billion committed to advance financial inclusion domestically because they know that an inclusive, local financial system that reaches all its citizens is an important ingredient for economic and social progress.

While there will be setbacks and while we will make mistakes, the stars have begun aligning for real progress to be made in the next five years toward full financial inclusion—where everyone has the choice to access and use the broad range of financial services they need to improve their lives.

BETTER MEETING UNDERLYING CLIENT NEEDS

Over the past years, we sharpened our understanding of the financial services needs of poor households. Globally, nearly **3 billion people live below $2 a day.** They typically live and work in the informal economy, not by choice, but by necessity—often in multi-generational, multi-occupational households. In economic terms, they are producers and consumers at the same time. As such, they have a broad range of financial services needs to accumulate assets, create income-generating opportunities, manage risks, and smooth consumption. We know from the financial diaries literature that they are very active managers of their financial lives. They have to be: they are vulnerable and have no margin for error. When they don't have access to formal financial services, it doesn't mean that they don't use any. It means that they have to rely on the age-old informal mechanisms: family and friends, the rotating savings club, the moneylender, the pawnbroker, cash under the mattress, long-term savings in the form of livestock. These mechanisms are often not enough and can be very unreliable, risky, and expensive.

Last year we saw increasing progress in translating this better understanding into better product offerings and policy approaches. For example, a set of providers across the globe accelerated experimentation with innovative products that better match people's savings needs and behaviors. Green Bank in the Philippines offered its SEED (Save, Earn, Enjoy, Deposit) commitment savings product, which enables clients to withdraw from their accounts only after their goal date or amount is reached. Jipange KuSave in Kenya tested the provision of interest-free loans with a third of the amount held back as savings. Opportunity Bank in Malawi has a commitment savings product for farmers that allows them to lock away their post-harvest pay-out and distribute it over the year to smooth cash flows. And **Bancomer in Mexico is developing a savings product concept** that mirrors the savings behavior of low-income Mexican households who literally use different cookie jars to separate savings for different future purposes.

THE POWER OF HOPE

While global and national policy makers have made financial inclusion a development priority, not every poor family can effectively use financial services to improve household welfare without initial help. The extreme poor often lack basic necessities and the minimum stability to pursue even subsistence economic activities. Ten CGAP and Ford Foundation-supported pilots around the world have been experimenting with a model initially developed by BRAC in Bangladesh that helps extremely poor families build assets and capabilities and ultimately "graduate" into sustainable livelihoods.

These pilots seem to be working. The recent set of impact research studies shows that participating families increase their income and, as a result, eat more regularly, become healthier, and send their kids to school more regularly. One observation from the randomized impact evaluation of the Bandhan Graduation Pilot in West Bengal is particularly striking. There, the household effects (20 percent more income, 15 percent higher nutritional intake relative to the control groups) were greater than the magnitude of the underlying intervention can explain. This points to the important psychological effects of self-belief. The fact that the graduation program provided hope and perspective made participating families work 28 percent more hours on additional, *nonprogram* related activities. Their children spend more time tending to the family's new livestock, but they also spend 20 more minutes on homework daily.

The "graduation community" is now distilling lessons learned and pushing for scale. A set of carefully sequenced interventions has emerged as key to the approach. Success starts with appropriate targeting of the extreme poor. This is done in conjunction with community organizations and also is critical from a local ownership perspective. The initial program months are focused on consumption support to stabilize the nutritional intake. The programs then help families save small amounts to build a savings culture, confidence, and safety cushion, and they introduce relevant skills training (e.g., in animal husbandry). Only after this, an actual assets transfer happens, often in the form of livestock, which lays the foundation for future reliable income. After 18 to 36 months of support and coaching, the extremely poor families gradually achieve sustainable livelihoods that enable them to independently access financial services, if they so desire, to better manage their livelihoods.

Similarly, policy makers began recognizing that statutes on the books that ignore the reality of low-income families are of limited value. They started to incorporate demand-side insights into their approaches. In Mexico, for example, the financial consumer protection agency "mystery shopped" financial services to assess the validity of its disclosure norms and found widespread misinformation that prompted a rethink of their approach. In the Philippines, consumer testing of credit contracts led to reforms to the Truth-in-Lending Act. And in Senegal, policy makers used consumer surveys to test and improve the functioning of dispute resolution mechanisms.

Some of the fundamental tenets of financial intermediation (e.g., the time value of money in savings and credit or the need for actuarially relevant risk-pooling in insurance) should not be reinvented. But a lot can and must be done in product and policy design to better meet underlying needs and behaviors. Financial services providers and policy makers have started to learn from other fields, and each other, to make a real difference.

CONTINUED BUSINESS MODEL INNOVATION TO INCREASE REACH AND LOWER COSTS

The business model challenges for providing a variety of financial services to low-income households in the informal economy are quite different. For loans, the main economic challenge is to provide credit to people who don't have a salary or other collateral and to manage credit risk and repayments. The ingenious innovation of social collateral made the microcredit revolution possible and proved that poor people are creditworthy and can be served in a financially viable fashion at scale. However, in terms of small-denomination, high-frequency savings or domestic remittances, by contrast, the main economic challenge is the need for ultra-low transactions costs. A lot of the business model innovation over the past years focused on increasing reach and reducing transactions costs well below the levels that would be associated with traditional bricks-and-mortar banking.

The iconic success of these efforts to date is the mobile-phone-based money transfer service **M-PESA in Kenya,** which by now has 16 million customers. An estimated 70 percent of working-age adults in Kenya used a mobile phone to send or receive electronic money, according to a recent **Findex survey.** Last year saw growth in electronic money outside of Kenya in other parts of East and West Africa and Asia. In Kenya itself, the ubiquity of a reliable, electronic retail payments system has made new business models that rely on collecting small user fees that would be prohibitively expensive to administer in cash viable. For example, M-Kopa recently launched a lease-to-own solar power energy device that collects daily payments of 40 shillings (50 cents) through M-PESA. Similar products are offered to finance community-based water stations (Grundfos Lifelink) and crop insurance for farmers sold in small denominations per individual bags of seeds (Kilimo Salama). These examples of financial innovation for the poor are promising because they link the potential benefits of an inclusive financial system tangibly to other development priorities, such as climate change adaptation and local food security.

THE HIDDEN CHAMPIONS OF LOW-INCOME BANKING

Over the past few years, the concept of microcredit—providing working capital loans to microentrepreneurs typically in the informal economy—came under scrutiny. A new generation of specialized microfinance institutions (MFIs) seemed to have perfected the model of extending these small loans backed by some form of social collateral. The initial success of the Indian MFI SKS probably epitomized the hope for gains in scale and efficiency but also the concerns that this new type of rapidly growing monoline credit has led MFIs to lose sight of their original social mission. SKS's high-visibility stock market initial public offering in September 2010 drew scrutiny of its business practices and ultimately triggered a political backlash in its Indian home state of Andhra Pradesh, from which Indian MFIs have yet to fully recover.

The fascination with SKS and the political economy situation in Andhra Pradesh, where the state government runs a subsidized competing scheme, has arguably overshadowed a more significant financial inclusion development in other parts of the world: The rise of hidden champions of broad-based, low-income retail banking in developing countries.

In places as diverse as Bolivia, Cambodia, Mongolia, Kenya, and Peru, erstwhile MFIs chose a different route. ACLEDA (Cambodia), BancoSol (Bolivia), Equity Bank (Kenya), Mibanco (Peru), and Xac Bank (Mongolia) became regulated deposit-taking banks and essentially opened up modern retail financial services for the first time to large swaths of the low-income populations in their home markets. Their global peers are successful retail banks, such as ICICI in India and Bank Danamon in Indonesia, that similarly pioneered low-income banking for the emerging middle class in their countries.

This broader set of MFIs-turned-banks seems to have several characteristics in common:

- They had visionary and forceful leaders, who also recognized the need to institutionalize and strengthen governance as they became bigger.
- They were connected early to the global microfinance community that provided catalytic growth capital, but arguably more importantly, enabled idea-sharing and peer learning.
- They maintained strong financial performance, but did not lose sight of their origins and the need to maintain strong ties with their original customer base.
- They operated in an environment that enabled conversion to regulated bank status and, once allowed to, they dramatically grew a deposit base with the dual benefit of savings being an important client need and their deposits being an important source for lower cost, stable, and local balance sheet funding. In most cases, these players also expanded geographically across borders, which likely helped them stay on their toes and sharpened their appreciation for understanding diverse customer needs and their ability to work in different regulatory and business environments.

SUPPORTING FINANCIAL INCLUSION

Last year, a significant number of countries stepped up their efforts to domestically advance financial access to households and very small enterprises. By the time of their 2012 annual meeting, more than 35 members of the global Alliance for Financial Inclusion made specific financial inclusion commitments.

These commitments and a similar set of efforts that a number of countries showcased at the 2012 G-20 Summit in Mexico present an important opportunity for the global development community to bundle its support behind those countries determined to reach more of their economically active citizens who remain excluded from formal financial services and have to rely on the informal ones that are often less reliable and more expensive. The G-20 is providing one important platform to coordinate such support.

A look at the individual country commitments confirms that important peer-learning is already happening. Country commitments have a number of common elements that reflect our collective best understanding to-date of key elements that matter, including the following:

- The need to focus on the broader range of financial services needs
- The importance of engaging the private sector for sustainable delivery at scale
- The potential of mobile money to increase reach and lower transactions costs
- The promise of government payments to citizens to catalyze the widespread adoption of a low-cost retail payment infrastructure
- The importance of consumer protection and financial capability building

More than half of working-age adults globally, an estimated 2.5 billion people, are excluded from formal financial services according to the 2011 World Bank/Gallup Findex data. An increasing body of evidence shows that appropriate financial services can help improve household welfare and spur small enterprise activity. There is also macroeconomic evidence that shows that economies with deeper financial intermediation tend to grow faster and reduce income inequality.

This explains why a large number of countries are making commitments to advance financial access and are pursuing national financial inclusion strategies. Supporting their efforts is both an opportunity and an imperative. We need meaningful financial inclusion country success stories for others to emulate.

The real power of new technologies to change the way we do things often takes some time to unfold. In financial services, we now see emerging markets leapfrogging the developed world and its legacy systems. Providers in developing markets don't speak of financial inclusion as a development objective or moral obligation. But they see the opportunity and the business imperative if they want to reach more than the affluent, urban middle and upper classes, and they are going to seize it.

POLICY MAKERS' COMMITMENT TO FINANCIAL INCLUSION

Policy makers know that appropriate use and access to financial services improves household welfare. They increasingly appreciate that an inclusive financial system that reaches all citizens allows for more targeted and efficient execution of other social policies—for example, through conditional payment transfers in education and health. As a result, a number of governments are switching their social payment transfers to electronic platforms. Policy makers also know that at the macro level the depth of financial intermediation is positively correlated with economic growth and negatively with inequality as measured by the Gini coefficient.

As a result, policy makers at the global and national level last year ratcheted up their commitments to financial inclusion as an important element of their development agenda. Led by its emerging market members, G-20 leaders have put their support behind financial inclusion. At the Mexico G-20 summit last summer, 17 countries led by the presidents of Chile, Indonesia, and Mexico publicly committed to advance financial inclusion. As part of the Alliance for Financial Inclusion (AFI), a network of southern financial regulators, more than 35 countries made similar commitments.

Policy makers face rapidly evolving technologies and a changing provider landscape. They need to weigh competing objectives and focus their limited resources. But an increasing number of them are determined to create the right enabling and protective environment.

OUR WORK AND OUR THANKS

Last year's Global Findex data confirmed that half of all working-age adults globally and more than three-quarters of the poor are excluded from formal financial services. Across all regions and income quintiles, women are disproportionally affected. So are the young, the old, and those who live in rural areas.

For poor households in the informal economy who are active managers of their financial lives, but whose needs are not met; financial services providers who see the opportunity, but need to innovate more aggressively; and policy makers who are committed to do the right thing, but need to accelerate their pace, the stars are aligning for real progress toward full financial inclusion over the next five years.

CGAP's mission is to improve the lives of poor people by advancing knowledge and spurring innovations that promote inclusive and responsible financial markets. Our work last year, described in more detail in this Annual Report, was aligned in support of the progress described above. We are proud of our contributions and remain humbled by the support and encouragement for our efforts from our partners and the broader set of stakeholders in the collective effort to advance financial access for the poor.

Tilman Ehrbeck
CEO, CGAP

UNDERSTANDING CLIENT DEMAND

Striving for more client-centric financial inclusion is more than the expression of good intentions or savvy marketing. The imperative to put clients at the center stems from a need to tackle fundamental weaknesses in how finance for the unbanked and underserved has progressed to date. The gap in access to finance has been so large that, for a long time, the focus has been on closing that gap numerically. However, it is time to re-adjust and pay more careful attention to understanding the nature and size of actual demand for financial services. For instance, it is likely that demand for short-term microcredit was over-estimated. Moreover, until recently, many operated with the over-simplified idea that most poor people are microentrepreneurs who need short-term working capital loans. Shifting from a product- and supply-side approach to one that starts with the needs, preferences, behaviors, and aspirations of poor households and small businesses will likely require a *mind-set* shift as well as new *skills* and *capacity.*

More refined empirical research is starting to shed light on where real demand for financial services lies and how poor people manage their complex financial lives to prepare for and cope with risks, manage their income fluctuations, and accumulate assets. However, we need to go well beyond understanding poor people's needs to translating these needs into better delivery for clients. Providers, supported by researchers and donors when appropriate, need to find ways to creatively source client insights and then use these insights to design more client-responsive products and services that can positively impact clients' well-being and reduce their vulnerabilities.

The industry also needs a better understanding of how financial services impact poor people's lives. While the debate about impact and benefits of financial services and microfinance has shifted over the course of the past 25 years, a growing body of recent empirical evidence shows that access to the right financial service at the right time helps households build assets, smooth consumption, and protect themselves from risks, and it provides essential peace of mind.

Over the past year CGAP has worked to deepen understanding of poor people's needs and behaviors so that we can help financial markets offer more relevant, valuable, and appropriate services. Understanding demand to deliver effectively to the poor is now one of CGAP's core priorities. Armed with new insights about poor people, the impact of financial services on their lives, and how to deliver more responsive offerings, we hope that key decision makers working toward financial inclusion will make evidence-based decisions that further not only access to finance, but also the effective use of quality financial services. In FY2012, CGAP worked on achieving the following outcomes:

1. Greater understanding of poor people's behaviors and preferences, and of the diversity of client segments
2. Improved understanding—and evidence—of the impact potential of financial services at the clients/household level as well as the link between financial services and the broader development agenda
3. Improved approaches for reaching three frontier client segments—the extreme poor, youth, and micro and small enterprises
4. Increased emphasis on financial and social performance through MIX and the Social Performance Task Force (SPTF)

HIGHLIGHTS OF THE YEAR

Engaging to Build a Community of Practice That Puts Clients First

Effectively responding to the needs of poor clients will require us to work together. CGAP is committed to bringing together providers, researchers, funders, and policy makers to advance this agenda.

CGAP convened more than 70 industry leaders representing providers, researchers, and funders for the **"Clients at the Center Convening Event"** in Washington, D.C., in December 2011. The purpose of this meeting was to start a conversation with a view to sharpen a collective agenda for client-centric financial inclusion. Key messages that came out of the meeting included agreement that getting to new insights and inspiration is perhaps not as hard as translating those insights into practice. All participants also agreed that it is important to broaden the engagement to others not in the room, and especially to the range of providers (banks, microfinance institutions [MFIs], insurers, mobile network operators, etc.) serving low-income populations as well as to policy makers. The meeting concluded with a reflection on how a focus on clients—with whatever motivations—could indeed be the one issue that unifies the broad, complex, and rapidly evolving financial inclusion landscape.

CGAP also curated a dynamic blog series, **"Clients at the Center,"** to tease out a range of issues key to client-centricity. Over 20 guest bloggers shared their views as part of the series.

At the SPTF meeting in Jordan, CGAP facilitated two discussions involving more than 100 people to arrive at a vision of client-centric financial inclusion. The first was co-organized with the Imp-Act Consortium and the second was a special session with the Social Investors Roundtable. The partici-

PRODUCT DEVELOPMENT MONTH ON THE MICROFINANCE GATEWAY

The Microfinance Gateway highlighted the area of product development through a series of articles in its Microfinance Voices section in February 2011. The four-part series, which drew a record number of visitors to the Gateway, began by covering key questions and models for sourcing customers' insights to produce better products, processes, and delivery channels. The remaining parts discussed the guiding principles of market research and featured notable experts on market research and product development, including insights from IFMR Rural Finance and Grameen Foundation's AppLap in Uganda. Gateway users from around the world posted comments and showed great interest in the resources featured.

CLIENTS AT THE CENTER CONVENING EVENT: KEY TAKEAWAYS

- There are several levels at which we need to understand clients' needs, choices, and behaviors across segments, products, and geographies.
- We are not always effectively translating the knowledge we do have into better services, delivery channels, and policies for clients.
- There are various motivations for understanding clients and the impact of financial services; providers want a greater voice in framing the key questions that get investigated.
- Clarity on the end goal of which a question is being asked can help sharpen the research approach.
- There is a rich diversity of qualitative and quantitative research methods depending on the question to be answered; improving understanding of the pros and cons of each as well as how they complement each other would be helpful.
- Research does not happen in a vacuum—practical considerations, such as cost, timeframe, and capacity, de facto influence the choice of methods.
- Academic research is not the only source of client insights; learning from other sectors offers techniques such as direct observation of clients.
- A clear and well-structured process to collect insights and translate them into better products, delivery channels, and policy is necessary for success.
- Effectively translating insights is a more complex process than mere product development, it requires capacity across the organization, including backend systems, human resources, and strong management buy-in.

pants drafted a vision statement, brainstormed opportunities and obstacles to achieving this vision, and generated a list of concrete actions that different stakeholders could take.

CGAP is continuing this broad engagement by leading the Product Range Informed by Client Needs Working Group of the Financial Inclusion 2020 initiative of the Center for Financial Inclusion. We have also started building a virtual community of practice platform that will offer stakeholders an opportunity for ongoing engagement in the next fiscal year.

Creating Pathways out of Extreme Poverty: CGAP–Ford Foundation Graduation Program

The CGAP–Ford Graduation Program is a global effort to better understand how safety nets, livelihoods, and finance can be sequenced to create pathways for the poorest to graduate out of extreme poverty. The graduation model combines support for immediate needs with longer term investments in assets, financial services, business development, and intense coaching so that within 24 to 36 months, the poorest develop sustainable economic activities and are equipped to create pathways out of extreme poverty and into sustainable livelihoods. The **Graduation Program** is helping to implement 10 pilot projects in eight countries, in partnership with local organizations. A rigorous learning agenda, including impact assessments and qualitative research are being implemented at all sites. As a result, we have rich information on the extremely poor—the profiles of fast climbers—as well as an increasingly robust body of evidence from randomized control evaluations on the program's impact.

Over the course of FY2012, results from quantitative research conducted by some of the most prominent development economists in the field, including Esther Duflo and Dean Karlan, came in from four sites. Three of the four pilot projects evaluated showed a sustained impact on the livelihoods of the poorest that were targeted. The results demonstrated that Graduation Program participants improved their food security, stabilized and diversified income, became healthier, and increased their assets and savings. In addition, where "intangible" results were measured using either quantitative or qualitative methods, significant increases were found in indicators of positive mental health, happiness, and hope among pilot participants. It is noteworthy that the results showed similar positive results with consistency across time and diverse sites.

Researchers presented the results of these studies conducted over the course of the past six years at "Reaching the Poorest 2012," a meeting convened in Paris in July 2012 by CGAP and the Ford Foundation. The meeting drew more than 90 participants, including practitioners, donors, partners, nongovernment organizations, policy makers, and academics from more than 20 countries, who shared lessons and experiences.

Over the year, the **Graduation Community of Practice** continued to broaden and engaged in peer learning and exchange, including through its Web site, which has become a hub for those working to reach the extreme poor. Over 74 new library entries were added, 25 news and announcements were posted, and over 70 blog entries were written. As a result of deep engagement with the social protection community, CGAP held sessions on the graduation model for more than 200 social protection professionals and contributed to the World Bank's Social Protection Strategy. In addition, several governments and large donors, including the Government of Kenya, UNHCR, and AusAid, are picking up the model and integrating its lessons into their own operations.

Reaching a Large and Vulnerable Demographic Group with Savings: Focus on Youth

Another priority segment for the Clients and Products team is youth. There are an estimated 1.1 billion young people between the ages of 15 and 24 globally.

Through CGAP's involvement in the **YouthSave Consortium** led by Save the Children in partnership with the Center for Social Development at Washington University and the New America Foundation, with funding from The MasterCard Foundation and the Italian Ministry of Foreign Affairs, we are learning about this important client segment and the business and policy case for serving them. YouthSave is developing savings products and financial education for youth in Kenya, Ghana, Colombia, and Nepal. It seeks to help youth plan for the future, manage their current financial lives, and foster sound financial practices for the rest of their lives.

During the past year, youth savings products were launched in three of the four pilot countries: Colombia, Nepal, and Ghana. These products are based on extensive market research as well as learning from pilots. Over the course of the year, CGAP has focused on clarifying the approach to the business case.

Another highlight of our work on the youth segment was the publication of **"Emerging Perspectives on Youth Savings"** (July 2012), which examines the role of finance in the lives of low-income youth in developing countries. There are relatively few existing well-documented cases on providing youth savings services in a profitable manner through the private sector. This Focus Note analyzes the opportunities, challenges, and practical considerations of offering savings services to youth from the perspectives of policy makers and financial service providers. As the first CGAP publication on the topic of youth savings, the Focus Note presents the latest on the importance of savings for youth and brings together many disparate areas of research from different countries.

In addition, CGAP published several blogs and spoke at public events to encourage dialogue about issues surrounding the business and policy case for youth savings.

Moving toward a Robust Financial Inclusion Data Architecture

There is real momentum behind the belief that better, more consistent, and increasingly comprehensive data are important for better decision-making and tracking progress in advancing access to financial services for the poor. A growing number of countries are paving the way nationally and informing global data efforts. Global data initiatives are learning from these country experiences and, in turn, provide guidance and examples for others. While different countries may be in different stages in terms of measuring financial inclusion, the foundation for country-owned efforts, tailored to national priorities, is being laid in many markets.

In an effort to capture developments in the data landscape, CGAP jointly published with IFC **"Financial Access 2011: An Overview of the Supply-Side Data Landscape"** (May 2012), highlighting the importance of adequate data to enhance financial inclusion efforts. This report presents the landscape of financial inclusion data, with a focus on supply-side data, assesses gaps in data, and recommends ways these can be addressed by different stakeholders. The report also offers the perspectives of leading financial inclusion experts whose first-hand experiences and reflections provide insights on why data are important and how the creators and users of data can make progress, both in data collection and in the use of data to further financial inclusion.

The G-20 has also embraced financial inclusion data as a priority. One of the three subgroups of the **Global Partnership for Financial Inclusion** (GPFI) is focusing on advancing the data and measurement agenda as a strong base for informed policy action and market knowledge. This year, a crowning success was the endorsement by the G-20 of the Basic Set of Financial Inclusion Indicators developed by the GPFI Data and Measurement Sub-Group. (See page 30 for more on CGAP's work with GPFI).

CGAP also collaborated closely with two specific data surveys in FY2012, one on the supply side and the other on the demand side. CGAP signed a Memorandum of Understanding with the International Monetary Fund (IMF) and IFC to support the expansion and effective implementation of the IMF's **Financial Access Survey 2012,** including advising on the expanded survey questions to add time series for credit unions, financial cooperatives, and MFIs, and create separate identification of small and medium enterprises, households, life insurance, and nonlife insurance companies. CGAP also seconded a consultant to IMF to help strengthen the data collection process. On the demand side, CGAP served on the advisory committee for the **Global Financial Inclusion (Global Findex) Database,** a comprehensive, comparable, cross-country dataset that measures how women, men, and youth save, borrow, make payments, and manage risks. The project, which covers 148 economies, is funded by the Bill & Melinda Gates Foundation and is implemented by the World Bank in partnership with Gallup. CGAP also helped disseminate the Findex findings through a **blog series** and numerous public speaking engagements.

Launching the Universal Standards of Social Performance Management

As one of the founders of SPTF, along with Arigidius Foundation and the Ford Foundation, and as an active Steering Committee member, CGAP is pleased with the milestone achievement in 2012 of the launch of Universal Standards of Social Performance Management (USSPM). The launch and adoption of the standards were announced at SPTF's largest annual meeting to date in June 2011 in the Netherlands, with over 350 attendees.

Developed through broad industry consultation, USSPM is a set of management standards that applies to all microfinance providers who are pursuing a double bottom line. Meeting the standards signifies that an institution has "strong" social performance management practices.

SIX UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT

1. Define and Monitor Social Goals
2. Ensure Board, Management, and Employee Commitment to Social Performance
3. Treat Clients Responsibly
4. Design Products, Services, Delivery Models, and Channels That Meet Clients' Needs and Preferences
5. Treat Employees Responsibly
6. Balance Financial and Social Performance

CONNECTING THE PRACTITIONER AUDIENCE TO FINANCIAL INCLUSION

The Microfinance Gateway reaches industry practitioners around the world and plays a key role in keeping this audience up to date on financial inclusion principles. Articles on inclusion ranged from introducing global initiatives (see the Microfinance Voices article on the Maya Declaration [May 2012]) to outlining key Findex findings in "Global Findex: 5 Insights from the Financial Inclusion Database" (May 2012). The Gateway also introduced readers to the Financial Inclusion Guide (formerly the Financial Inclusion Regulation Center), a Web resource that showcases the latest policy and regulations for financial inclusion (see page 35 for more information). Finally, "Measuring Financial Inclusion: How Will We Know When We've Succeeded?" (November 2011) highlighted Peru's experience with using financial inclusion indicators to measure and understand financial access.

Created in 2005, SPTF has played a key role in (*i*) reaching consensus on social performance **reporting indicators** at the MFI level, (*ii*) supporting the development of social performance tools (social ratings, social audit, poverty measurement tools), and overall, (*iii*) convening industry actors to exchange and coordinate initiatives on social performance in microfinance. CGAP continues to play a role in SPTF to strengthen its governance. We also collaborate with a broad range of partners to support the implementation of the standards.

As an example, in francophone Africa CGAP worked with the SMART Campaign and Imp-Act Consortium to integrate aspects of social performance management and client protection in four existing **CGAP courses** with support from Agence Française de Developpement. These courses, which cover topics related to governance, operational risk management, business planning, delinquency management, and interest rate setting, were also updated to reflect changes in the financial inclusion landscape. The revised courses are offered by CGAP's network of training partners.

DO MFIs HAVE THE CAPACITY TO FINANCE SMALL ENTERPRISES?

With many policy makers looking to small enterprises as a way to create much-needed jobs during the global economic downturn, donors and investors are also increasingly seeing small enterprises as potential investees and engines for private sector growth. Financial needs of small businesses are diverse and context-specific, and they often require more than just loans.

Do MFIs have a role in delivering finance to small enterprises? To explore this question, CGAP surveyed over 300 MFIs in December 2011 to find out if and why MFIs are interested in serving this market segment. The results of this survey are summarized in "Financing Small Enterprises: What Role for Microfinance Institutions?" (July 2012).

The Focus Note finds that MFIs have some inherent advantages in serving small enterprises that they should use wisely. Compared to commercial mainstream banks, for example, MFIs may have closer relationships with their customers—they often have faster lending procedures and require less collateral than their competitors. At the same time, the findings indicate that MFIs face challenges in serving small business, because they may lack appropriate risk assessment methodologies, have inadequate products, and may lack a specialized department and staff. Adding a new segment successfully requires preparation, including new data, tools, and capacity. MFIs that want to add small enterprises to their client base have much to learn from those already tapping into this market—from the successes and perhaps even more so from the failures.

Work on this report, and other CGAP research linked to small enterprises, was undertaken in collaboration with the CGAP Working Group on Micro and Small Enterprises consisting of more than 20 development agencies and facilitated jointly by DANIDA and CGAP.

WHAT DO CONSUMERS WANT?

In the past year, both providers and policy makers arrived at some "a-ha" moments when they learned something new about consumers' habits, needs, and challenges with financial inclusion. Some of these moments were the result of various consumer research projects CGAP led across different geographies and issues. The key to reaching these a-ha moments does not lie in dwelling on how or how much consumer research, but in listening to consumers, no matter the depth of engagement. CGAP's recent work has identified several basic steps that could take policy makers and providers a long way toward understanding consumers better:

1. **Make the most of the data you already have.** Both providers and policy makers could make better use of data they already have on consumers before conducting additional analysis. Our review of existing basic data on users found that, despite low activity rates, mobile money providers have identified a subset of "super users." Focusing on super users could lead to insights on what drives some customers to use products and services more frequently than others, which could lead to insights that improve activity levels of consumers across the board. We also found that policy makers use data in bank and government complaints records to design recourse mechanisms; that same data also contain valuable demographic and product use information that could help policy makers across a range of regulatory issues.

2. **Fewer but deeper conversations with consumers can reveal a lot.** There is a general assumption that more data is better, but in the early stages of consumer research, a lot can be accomplished with a small sample of in-depth conversations with consumers. Even with just a dozen interviews, it is quite common to see basic patterns emerge. These initial findings can then be used to develop a deeper research agenda that is sufficiently focused to maximize what is gained from this more rigorous follow-on research.

3. **Go back to consumers again and again if necessary.** There is no harm in talking to consumers frequently. Consumer research is not something you do just at the beginning or at the end of designing products or policies. In fact, involving consumers in the design process can be useful. CGAP is exploring how human-centered design methods, pioneered by firms such as Ideo, can be used to rapidly prototype and test financial product concepts, similar to testing industrial products, such as chairs or cars.

4. **Try to make research "behavior smart," even in small doses.** It pays to not be tone deaf to consumer behaviors and attitudes in interviews and to find out why people behave one way and not another. Behaviors may transcend demographic factors and can be quite context specific. For example, CGAP's policy work has revealed that low-income consumers often put a lot of weight on how "welcome" they feel when deciding which financial institution to use; they sometimes put more weight on this feeling than on the products on offer.

5. **Even basic segmentation can help improve the success of a service.** Many services don't take into consideration that low-income consumers will use the same service in different ways. CGAP's work with implementations and segmentation research shows how using even basic consumer profiles based on quantitative information (e.g., based on a mix of transactions) can improve business performance. We have had success in mapping basic consumer profiles to investment decisions to tie business performance more closely to actual consumer uptake.


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ADVANCING TECHNOLOGY AND BUSINESS MODEL INNOVATION

During the past five years, CGAP's Technology and Business Model Innovation Program has been promoting branchless banking as a way to increase the number of poor people who have convenient access to a broad range of affordable financial products, especially savings. The program is supported by the Bill & Melinda Gates Foundation, CGAP, the UK's Department for International Development, and The MasterCard Foundation. It aims to improve the lives of millions of poor people by making traditional financial services available outside of traditional bank branches, through the use of innovative business models and widely available technologies. It does so by building knowledge that strengthens markets and promotes enabling policies and regulation to expand financial services for the poor.

Since the inception of the Technology Program, the branchless banking landscape has changed dramatically. However, significant gaps in distance, quality, and cost of financial service provision still pose barriers to the development of local economies and overall reduction of poverty. The potential of technology-enabled financial business models has been demonstrated in a number of payments-focused services in different places around the world. Yet, as governments have begun embracing the potential of branchless banking and as a more fertile environment for innovation has emerged, it has become clear that financial inclusion requires much more than payments. For example, according to our research, there are 96 branchless banking services around the world, and despite widespread excitement about the potential of branchless banking, much remains to be done as most services have been slow not only in signing up customers, but also in getting them to use the services. Our research shows that as a result, only 22 of the 96 deployments reach more than 1 million customers, a figure that is further underscored by anemic levels of overall customer use, which pose serious challenges to the sustainable delivery of a broader set of financial services to the poor through branchless banking. Further challenges include few agent locations for deposits, withdrawals, and payments; the wrong incentives to encourage uptake and use; and restrictive government policies that inhibit growth. For branchless banking to evolve and continue expanding to offer access to financial services and products beyond payments, public and private organizations—including banks, mobile network operators (MNOs), technology companies, retailers, government, and organizations such as CGAP—must collaborate.

In FY2012, the program has continued its ecosystem approach to research, assess, and analyze country markets holistically by supporting high-potential implementations and helping build knowledge and policies that will allow those services to thrive. The program's seven focus countries are Brazil, Ghana, India, Mexico, Pakistan, South Africa, and the West Africa Economic and Monetary Union (WAEMU). CGAP has developed detailed two-stage strategies and work plans to promote branchless banking and help guide technical assistance and grant funding activities. Implementation in Mexico, Brazil, India, and Pakistan is on track, and encompasses several active engagements and planned projects. There is good momentum in Ghana and WAEMU, where stage II strategies have been completed and approved.

In the past year, significant progress has been made in implementing these engagement strategies, which in turn have led to major contributions to CGAP's learning work stream. Focusing on these key markets has resulted in extending the impact of market resources, helping develop deeper relationships with stakeholders on the ground. Key learning priorities for FY2012 are as follows:

- Poor people insights and product innovation
- Scalable and profitable business models
- Government-to-person (G2P) payments and financial inclusion
- Enabling regulation
- Market ecosystem perspective
- Indicators to measure success
- Interoperation

BUILDING KNOWLEDGE

CGAP's Technology and Business Model Innovation Program aims to build knowledge by learning and distilling lessons on the customers who use branchless banking, the agent networks that allow customers to deposit and withdraw funds or make payments, and the business models that providers adopt to launch services.

One component of this is our work to better understand customer use behavior. This work now spans across several different learning agendas and focus countries. For example, CGAP conducted cutting-edge research on how to activate inactive customers by analyzing the transaction-level customer data of four branchless banking providers and segmenting their customers. Through this effort, providers benefited from the overall results as well as from the tailored analysis and insights we developed. This has led several providers to take additional steps to better understand customer segments. In addition, we undertook a significant **research project** around the customer demand for payments in Ghana and disseminated our findings widely in country. In WAEMU the scope and content for a demand-side study is currently being defined; the study will be conducted as soon as these elements are in place.

Next, CGAP is seeking to understand how MNOs who offer mobile money can use their voice/SMS data to inform high-potential mobile money users. In addition, CGAP conducted a **market segmentation study of low-income populations across Mexico** with McKinsey & Company. The objective was to provide more qualitative and quantitative information on low-income customers' unique needs, desires, and uses for banking services. We shared the outcomes with the com-

INSIGHTS FROM CGAP'S CUSTOMER RESEARCH WORK IN MEXICO

- **There is high revenue potential at the base of the pyramid as a result of increasing incomes among poor people.** The total revenue pool at the base of the pyramid is estimated at US$1.9 billion to US$2.65 billion. About 2.7 million households at the base of the pyramid today are expected to migrate to higher income segments over the next 10 years. These people alone will expand the total revenue pool by 46–64 percent. Addressing their needs today will help capture that additional revenue pool more quickly.

- **Segments at the base of the pyramid save significantly.** Deposits represent an amount equivalent to 20.4 percent of segments' annual aggregate income. If deposits were to be held in formal financial institutions, the deposit base in the formal financial sector would increase by 23.4 percent.

- **Convenience is important, even in urban areas.** About 60 percent of people at the base of the pyramid live in urban areas, but they still have limited mobility and they value convenience. Financial service providers will need to leverage correspondents to expand reach and reduce costs.

mercial banking sector in Mexico in October 2011 through a seminar organized jointly with Comisión Nacional Bancaria y de Valores. For more on this customer segmentation work, see **"A Structured Approach to Understanding the Financial Needs of the Poor in Mexico"** (Brief, May 2012).

Additionally, implementation work got underway around Applied Product Innovation (API), which seeks to apply direct research on low-income customers to create appropriate and innovative branchless banking products through product labs in partnership with branchless banking providers. During the past year, CGAP has conducted API work in Brazil, Mexico, and Uganda. In Brazil, we are working with Bradesco, one of the largest banks, and design firm Ideo.com to design and develop a prepaid payments product. Similarly in Mexico, CGAP partnered with design firm Ideo.org and Bancomer, another large bank, to develop a **new savings product.** In Uganda, CGAP has majority-funded an in-house, yet autonomous incubator, called AppLab Money, which is housed at MTN Uganda (an MNO) offices. AppLab Money is currently developing a mobile-phone-enabled credit and savings product for MTN Uganda.

G2P payments are a potential way to increase financial inclusion among poor households. In 2012, CGAP completed an extensive and rigorous analysis of G2P payments and financial inclusion in four middle-income countries: Colombia, Brazil, Mexico, and South Africa. The study found that social transfer programs can function as a stepping stone in the move from cash to electronic to fully inclusive financial services, especially if they build on and support the country's general retail payment system. But early expectations about rapid and automatic uptake of financial services among beneficiaries need to be recalibrated. In Pakistan, CGAP conducted a landscaping study of all public-sector flows, including social protection programs (such as the Benazir Income Support Program [BISP]), salaries and pension schemes administered by central government agencies, and provincial schemes. A published report is forthcoming.

CREATING AN ENABLING ENVIRONMENT

Over the past year CGAP's Technology Program has continued to research and distill regulatory

BRANCHLESS BANKING COMES IN DIFFERENT FORMS . . .

- Banks offering branded services
- Telecommunication providers processing transactions over mobile phones
- Even retailers promoting electronic payments at their stores

In FY2012, CGAP published research on the business case for banks (**"Understanding the Business Case for Banks in Branchless Banking"** [February 2012]). This report analyzed the financials of banks that have been involved in branchless banking (i.e., running agent channels for payment products or as a way to reach unbanked customers) for five or more years. The study showed that agents are the most economical channel available at low transaction volumes; agent networks provide convenience and improve the costs associated with serving existing customers; and banks develop branchless banking channels that grow faster, enter new geographies, or reach unbanked customers.

CUSTOMER RESEARCH IN GHANA

CGAP's 2011 survey of the payments market in Ghana offered several reasons to be optimistic about the demand for electronic payments:

- "Send money home" appears to be a high priority in Ghana, with 50 percent of urban and peri-urban households sending money to friends and family every month, while 35 percent send money for business purposes.
- People are actually more open to electronic receipts than they are thought to be. Over 40 percent of respondents indicated they would find an SMS receipt sufficient for utility bill and school fee payments.
- Sixty-six percent of primary income earners have already sent airtime to someone over the phone. This indicates that a lack of trust or the absence of technological savvy does not pose obstacles as significant as is sometimes assumed.

Uptake will require more hands-on marketing to potential customers. The three MNOs that offer mobile money products in the country have spent millions on marketing over several years; this has paid off in one sense but failed in another. Ninety percent of urban and peri-urban households across Ghana are aware of mobile money, yet only 17 percent have actually tried any of the mobile money services, and user activity rates are very low for all providers.

Why is this? The vast majority of respondents stated that they are made aware of new payment methods through above-the-line marketing,* notably TV and radio spots. But the methods that they actually use are those that they learned from either friends and family (80 percent) or the person with whom they needed to transact. Virtually no one learned about of the method they use from above-the-line advertising. This suggests that below-the-line and peer advocacy approaches to marketing the services may be more effective in driving activity rates.

* "Above the line" and "below the line" refer to advertising techniques, or different strategies, companies use to sell their products. In a nutshell, while above-the-line communications use media that are broadcast and published to mass audiences (newspapers, TV, magazines, etc.), below-the-line communications use media that are more niche focused (word-of-mouth, inner circle, marketing, house visits, roving agents, etc.).

and policy lessons organized around three main goals: understanding how regulatory frameworks enable or discourage new models, formulating guidance on policy and regulation to encourage innovation, and encouraging policy makers and regulators to adapt policy/regulation to foster technology-based models.

The Focus Note **"Banking Agents: Risk Management, Mitigation, and Supervision"** (December 2011) draws from experiences of supervisors in several countries where branchless banking and use of agents are flourishing, as well as from general principles of outsourcing. It provides evidence and analysis supervisors can reflect on as they develop their own approach.

In some countries, private sector interest in establishing nonbank e-money issuer (NEMI) operations has been tempered by policy maker concerns over the lack of a clear supervisory framework. Based on research in 10 countries, CGAP found that while few have a clear supervisory approach, all engage in minimal post-licensing supervision. Nevertheless, the minimal supervision undertaken in the researched countries reflects two current realities: NEMIs are engaged in limited activities and they do not present a systemic risk given the limited funds involved. This minimal approach taken by supervisors today is consistent with the proportionality principle endorsed or supported by, among others, three international standard-setting bodies relevant to the supervision of NEMIs: the Basel Committee, the Committee on Payment and Settlement Systems, and the Financial Action Task Force (FATF). See the next section "Fostering an Enabling Policy Environment for Financial Inclusion" for more on CGAP's work with the G-20.

In FY2012 CGAP conducted a deep dive into the question of interoperability and related issues in branchless banking and mobile financial services by looking at three levels of interoperability: platform-level interconnection, agent-level exclusivity, and customer-level interoperability. CGAP engaged Bankable Frontier Associates to conduct a comprehensive study to identify pathways to retail payments interoperability in Pakistan. **"Interoperability and the Pathways towards Inclusive Retail Payments in Pakistan"** is based on over 20 interviews with key stakeholders in Pakistan. In the process of developing the study, CGAP engaged in an advisory relationship with both the Pakistan Telecom Authority and State Bank of Pakistan on interoperability, thus helping them both shape the new Third-Party Service Provider regulation and identify specific areas for regulatory action that would help enable the market. Interoperability of retail payment instruments is not an objective in its own right; rather it is a means of achieving other desirable objectives. Interoperability can promote a range of intermediate objectives, such as greater productive efficiency, convenience for customers, and dynamic efficiency through promoting competition within the financial sector. However, the attainment of intermediate objectives such as these must be prioritized and sequenced to reach broader desired outcomes. In Pakistan, two such wider outcomes are relevant: first, the goal of greater financial inclusion; second, the goal of reducing the use of cash for government payments. The research also showed that interoperability could change the trajectory of growth in Pakistan and that even greater interoperability could unlock a pathway to cash-lite financial inclusion but it would have to be in defined-use cases and it would have to be handled with great care.

NATIONAL SURVEY OF CUSTOMER SERVICE POINTS IN INDIA

In the past fiscal year, CGAP, in collaboration with the College of Agricultural Banking, undertook a national survey that captured the big picture on agents across India. In India, the term customer service point (CSP) refers to individuals who act as agents on behalf of banks. Business correspondents (BCs) are companies that source and manage one or more CSPs on behalf of banks. The use of CSPs is still new in India, although there are about 80,000 such points nationally. The recent expansion means most CSPs have been operating for less than 24 months. Eighty-five percent are in rural areas and many are in villages that are targeted under the national financial inclusion plan.

The survey results showed that approximately one-quarter of CSPs are either unavailable or unable to transact. About one-third of clients are limited to using one CSP. India is a bit different than other countries in that 30 percent of CSPs are roaming or "moving points," which have advantages and disadvantages that need to be understood better. According to the survey, the time taken by CSPs to complete account opening paper work is reasonable, but account activation, in many cases by BCs and banks, is too slow. Most CSPs focus on single products (often payments products) and do relatively little cross-selling. Qualitatively, CSPs cite that the job provides an elevated status to them within their community, which is a significant boost to their motivation. However, data from the survey show that CSP income is low in most cases and may not be sufficient to maintain motivation.

The challenges of building an active, high-quality network of CSPs highlight the need for such a network to become a focus in government targets, contracts, and performance metrics. Support to CSPs from BC companies and banks needs to be improved and made more consistent. In the vast maze of India's financial architecture, it is a challenge to implement the big ideas while keeping track of detail and quality. Agent networks are expanding rapidly in India, but as this experience has taught us, it is often just as important to focus on building quality, as it is to focus on growth.

FOSTERING AN ENABLING POLICY ENVIRONMENT FOR FINANCIAL INCLUSION

Financial inclusion is an issue of growing importance to policy makers because they recognize its potential to contribute to key development objectives such as economic growth and increased welfare and efficiency. As such, an increasing number of governments, international organizations, and global standard-setting bodies (SSBs) are **making financial inclusion a priority** in their agendas today.

The growing global consensus on the importance of financial inclusion is reflected in the attention being given to policy preconditions for closing the global financial access gap. In recent years, increasing involvement of the G-20; global financial sector SSBs (the Basel Committee on Banking Supervision [BCBS], the Financial Action Task Force [FATF], the Committee on Payment and Settlement Systems, the International Association of Deposit Insurers, and the International Association of Insurance Supervisors [IAIS]); and other global actors, such as the UN Secretary General's Special Advocate for Inclusive Finance for Development, Her Royal Highness Princess Máxima of the Netherlands, and the Alliance for Financial Inclusion (AFI), have fostered the evolution of thinking around an enabling environment for financial inclusion—and has given the subject prominence. In the company of these new actors committed to financial inclusion, CGAP continues to play a critical role at the forefront of identifying and advancing knowledge on emerging and evolving issues.

The G-20 leaders' decision to include financial inclusion in their multi-year global development agenda has had a particularly important effect: the five global SSBs most relevant to financial inclusion are now committed to considering access to financial services for the world's poor in their normative standards and advisory guidance to country-level policy makers, regulators, and supervisors. A recent milestone illustrating this is FATF's revision of its mandate in April 2012. In adopting the new mandate, FATF ministers explicitly recognized for the first time financial exclusion as a significant risk to financial integrity. With this revised mandate, FATF will now be able to consider financial *exclusion* as a risk factor in its country-level assessments. CGAP, in our capacity as lead implementing partner of the G-20 Global Partnership for Financial Inclusion (GPFI) work stream on SSBs, is playing a central role in these developments.

Another emerging element of the global conversation around the policy environment for financial inclusion is the distinction between *responsible* and *irresponsible* finance. The global financial crisis—and over-indebtedness crises in several base-of-the-pyramid credit markets—put a spotlight on financial consumer protection and market conduct. It underscored that not *all* financial inclusion is *healthy,* or in the best interest of poor consumers. Against this backdrop, there is a growing understanding that policy and regulation must create "rules of the game" to reinforce responsible practices and products from suppliers, and encourage and support financially capable behavior in consumers.

Consumer protection policy, regulation, and supervision have been a focus of CGAP's work on responsible finance policy, particularly regarding improved understanding of distinct aspects about protecting financially excluded consumers and regulating and supervising the providers that reach them. Our goal is to foster practical, cost-effective consumer protection regimes that draw on low-income consumers' experience and are informed

by insights from behavioral research. Areas we worked on over the past year include product transparency and disclosure, policy options to prevent over-indebtedness, and effective recourse for base-of-the-pyramid consumers. Across these areas, CGAP's work on consumer protection draws both on the latest academic and development community research and the results of our own experimentation and "learn by doing" technical assistance collaborations with policy makers in the field. Through this consumer-level research, CGAP seeks to identify the practical policy responses that are best suited for low-income consumers and that reflect the realities of the capacity and resource challenges of many countries with large concentrations of low-income and financially excluded households.

HIGHLIGHTS OF OUR WORK

Building on political momentum for financial inclusion, CGAP achieved some significant results in FY2012.

Data to inform policy decision making. Sound financial inclusion data are critical to inform evidence-based policy decisions, globally and at the country level. Yet financial inclusion data are fragmented and incomplete—there is no consensus on what to measure. Improving data and measurement is one key area in which CGAP has supported the G-20's work on financial inclusion over the past year. Together with the other GPFI implementing partners—AFI, IFC, and the World Bank—CGAP helped the Data and Measurement Sub-Group of GPFI to develop the first commonly agreed Basic Set of Global Financial Inclusion Indicators. The G-20 "Basic Set," endorsed by the G-20 leaders at their Los Cabos Summit in June 2102, includes indicators of access to, and use of, financial services, using the World Bank's Findex and Enterprise Survey data on the demand side and the Interna-

tional Monetary Fund's Financial Access Survey on the supply side. These indicators represent a starting point to lay a foundation for financial inclusion measurement and monitoring, and they provide a basis from which countries can build their own, more detailed, country-specific indicators. The plan is to develop new indicators over time, to deepen and broaden coverage to include all financial services and various delivery channels, and to measure service quality, protection, and financial capability.

Incorporating financial inclusion into global standard setting. CGAP also supports the G-20's financial inclusion agenda through its work with SSBs. The G-20's focus on standard setting and its importance to an enabling and protective policy environment for financial inclusion at the country level dates back to 2010 with the adoption of the G-20 Principles for Innovative Financial Inclusion and the creation of GPFI. The multi-year Financial Inclusion Action Plan approved at the Seoul Summit in late 2010 calls for the SSBs to consider financial inclusion in their standards and guidance, consistent with their respective mandates. And at the Cannes and Los Cabos summits the leaders called for the SSBs to step up their work in this area. In particular, the G-20 leaders asked the SSBs to consider the recommendations in the GPFI white paper "**Global Standard-Setting Bodies and Financial Inclusion for the Poor—Toward Proportionate Standards and Guidance,"** which CGAP developed on GPFI's behalf with involvement of World Bank experts, as well as the associated country case studies led by AFI. The white paper—an analysis of the impact of SSB standards and guidance on financial inclusion and the implications financial inclusion holds for the SSBs—identified both high-level themes of relevance to several of the SSBs and financial inclusion issues of specific relevance to each. The paper advocates application of the proportionality principle—the balancing of risks and benefits against costs of regulation and supervision—as essential in developing SSB standards and guidance relevant to financial inclusion globally and at the country implementation level. Within the past fiscal year, the SSBs have heeded the call of the G-20 leaders to consider the white paper's recommendations in their future work. For example, three of the SSBs—BCBS, FATF, and IAIS—have recently revised their highest level normative standards to strengthen the proportionality principle.

Improving supervisory and enforcement capacity—both prudential and market conduct. An enabling policy environment for financial inclusion is not just about policy and regulation. Without effective monitoring, supervision, and enforcement of country-level rules, even the most inclusion-friendly rule-making can be futile. This is why CGAP also works on improving knowledge and practice on monitoring, supervision, and enforcement of financial-inclusion-relevant regulation. In this work CGAP takes into account that lower income countries and those with higher current levels of financial exclusion face unique capacity challenges when it comes to implementing effective monitoring, supervision, and enforcement of financial inclusion policy and regulation.

One example of CGAP's work in FY2012 to address this capacity shortfall and strengthen implementation is the Microfinance Supervisors Training Program, undertaken in collaboration with the Toronto Centre, a global resource on financial supervision capacity development. The program aims to strengthen the capacity of microfinance supervisors, focusing specifically on skills needed to understand base-of-the-pyramid providers and their services and products. Piloted in November 2011 in partnership with the Central Bank of Kenya, the program commenced its global rollout in June 2012 with a training session held in Kuala Lumpur, Malaysia, in partnership with Bank Negara Malaysia (the country's central bank) and the South East Asian Central Banks (SEACEN) Research and Training Centre. The initial focus of curriculum development for the program was on prudential supervision of deposit-taking providers. In response to participant feedback, the program plans to expand the training to include monitoring, supervision, and enforcement of market conduct and consumer protection rules.

POLICY AND REGULATION IN THE MIDDLE EAST AND NORTH AFRICA

Arab policy makers, who long regarded microfinance as charity for the poor, are realizing that a financial system that serves only 20 percent of the population is part of the formula for political instability. For too long, positive aggregate growth figures were hiding the underlying causes of the current unrest: unemployment, high inflation, authoritarian rule, and a lack of economic opportunities for the majority of the population, especially younger generations.

CGAP has prioritized engagement with policy makers across the region in response to the Arab Spring and the increased awareness among policy makers that inclusive growth and, in turn, inclusive financial systems are central to stability. At CGAP's annual Arab Policy Forum held in Cairo in May 2012, Lobna Helal, deputy governor of the Central Bank of Egypt, stated that the Arab Spring was above all an expression of discontent with economic conditions and inequalities and pledged commitment of the Central Bank to advancing financial inclusion.

On 1 October 2012, the Governors of Arab Central Banks met under the auspices of the Arab Monetary Fund (AMF) and mandated AMF to pursue the promotion of financial inclusion in the Arab World. CGAP partnered with AMF to produce the financial inclusion position paper on which the governors based their decision. The following are some highlights of the paper:

1. Financial inclusion should be on top of the priority list of all policy makers, including central banks.
2. Countries are encouraged to adopt financial inclusion national strategies in close coordination and cooperation by and between all supervisory and regulatory authorities, especially central banks.
3. Financial inclusion is important to achieve inclusive growth that would reduce high unemployment rates and promote social justice.

CGAP continues to partner with AMF along with key members, such as GIZ, to reinforce and facilitate this new opening for reform sweeping the region.

Responsible finance and consumer protection. CGAP's work on consumer protection and responsible finance in low-income and low-access markets also broke new ground in the past year. CGAP's Focus Note **"Responsible Finance: Putting Principles to Work"** (September 2011) explores the state of knowledge and practice, and lays out strategies to advance client protection and social performance, emphasizing that public bodies, industry, and clients themselves all have important roles to play. CGAP's approach to responsible finance and consumer protection engages these different actors simultaneously—and often in partnership—to emphasize that such efforts are mutually reinforcing.

In consumer protection, transparency has been a key research area for CGAP over the past fiscal year. The Focus Note **"Designing Disclosure Regimes for Responsible Financial Inclusion"** (March 2012), for example, offers practical guidance to policy makers who are developing disclosure regimes in low-access environments. The paper incorporates initial results from consumer testing on disclosure issues by CGAP and its partners and a global review of policy approaches to financial disclosure.

Our consumer diagnostic work in Nicaragua during this past year illustrates how such research is translated into policy guidance. CGAP partnered with the World Bank to evaluate current consumer protection policy and offer policy recommendations to improve consumer protection in the microfinance, banking, and insurance sectors in the country using direct consumer research with low-income financial consumers to identify existing gaps in consumer protection—particularly for lower income and less experienced consumers. Similar "learn by doing" country diagnostic work was done in Senegal, Mexico, and the Philippines.

Another theme that guided CGAP's work on consumer protection during the past year is the need for deeper understanding of the actual experience of low-income consumers—and ensuring that these findings inform the actions of policy makers. Globally, there is growing recognition that the success of financial consumer protection policies depend in large part on the ability of policy makers to understand and apply behavioral insights relevant to financial services. This is particularly important for base-of-the-pyramid consumers, who face

CONSUMER PROTECTION AT THE BASE OF THE PYRAMID—A REGION IN ACTION

Consumer protection and financial education are very high on the policy agenda of many governments and central banks in the Eastern Europe and Central Asia (ECA) region. For some countries this interest is part of the process of harmonizing their legislation with the European Union (EU) Directives, particularly the EU Directive on Consumer Credit. Others have recognized the importance of financial consumer protection after the 2008 global financial crises, which hit many countries in the region hard and coincided with base-of-the-pyramid market saturation and concerns about over-indebtedness in several countries.

In FY2012, CGAP conducted a scan of existing financial consumer protection initiatives in the ECA region to better understand the current state-of-practice with a focus on regulation of consumer protection in the financial sector. We found that most policy makers in the ECA region are interested in—and are moving on—laws and regulation that safeguard fundamental consumer protection principles, such as transparency and disclosure, fair treatment, and recourse mechanisms. However, significant challenges lie ahead:

- Consumer protection regulation in the region rarely covers all financial service providers or financial products. Thus, a customer's level of protection varies by the type of provider it uses.
- Although regulation or industry standards often mandate establishment of internal provider recourse mechanisms and rules, little is known about their effectiveness.
- It is likely that the capacity for implementing and enforcing new consumer protection measures will lag behind the rather rapid pace of developing new rules. Resources for carrying out additional functions, such as advising consumers or handling complaints, may be particularly constrained.

several unique consumer protection and behavioral challenges that must be reflected in policy making. The Focus Note **"Incorporating Consumer Research into Consumer Protection Policy Making"** (November 2011) describes three different consumer research methodologies—consumer group discussions, in-depth individual interviews, and quantitative surveys—that CGAP applied to better understand this segment and the lessons learned to date on using these consumer research tools to inform consumer protection policy making.

This year saw significant advances in engaging policy makers to apply consumer and behavioral research to consumer protection efforts in their countries. CGAP and the behavioral research organization ideas42 convened leading researchers in behavioral finance and consumer protection policy makers from across the globe. The workshop highlighted important findings on the roles personal behavior traits and psychology can play in the effectiveness of consumer protection policies, such as disclosure, recourse, and financial education. According to the policy makers who participated, exposure to this innovative research helped them to reconsider the approaches they currently use and to incorporate new insights and tools.

In Kenya, the Ministry of Finance adopted CGAP's advice to explore a stronger consumer protection regime as a way of addressing existing lacuna in the regulation of credit-only MFIs. CGAP was also invited by the Central Bank of Kenya to comment on its draft Prudential and Risk Management Guidelines (2012), which include guidelines relating to consumer protection for all regulated financial institutions, proceeds of crime and anti-money laundering, and agent banking.

Online resource on regulation and supervision for financial inclusion. As financial inclusion has evolved to encompass an increasing number of different types

of institutions that offer a wide array of financial services to poor people, the range of regulatory and supervisory issues on which policy makers need to be informed has expanded commensurately. Yet reliable information on laws and regulations on this range of issues is time-consuming and difficult to assemble, especially for policy makers who are new to the subject matter. In 2011, CGAP developed and launched the Financial Inclusion Regulation Center—a consolidated source for financial-inclusion-related regulation in key markets across the globe. This past year, the Financial Inclusion Regulation Center moved from CGAP's Web site, cgap.org, to the Boston University Center for Law, Finance & Policy. The center, for which CGAP continues to provide advice and source material, has been renamed the Financial Inclusion Guide and is located on Boston University's Web site.

LOOKING AHEAD

CGAP will continue to work at the forefront of efforts to build enabling and protective policy environments, at the country level and globally. Our emphasis will be on deepening understanding of the linkages among financial inclusion policy and the traditional objectives of financial sector policy, regulation, and supervision: financial stability, financial integrity, and financial consumer protection. Across this agenda—but with respect to consumer protection in particular—we expect to maintain our focus on understanding what is distinctive about low-income, financially excluded, and underserved clients and the products and providers that have potential to reach them. We will continue to strive for new insights that draw on client experience and are informed by behavioral research.

IMPROVING THE EFFECTIVENESS AND QUALITY OF FUNDING

Today a broad range of cross-border and local funders invest commercially or contribute philanthropic or public funds to financial inclusion—each funder has its own vision, funding instruments, know-how, and return expectations. Striking the right balance between commercial imperatives and social objectives goes to the core purpose and origins of microfinance and financial inclusion.

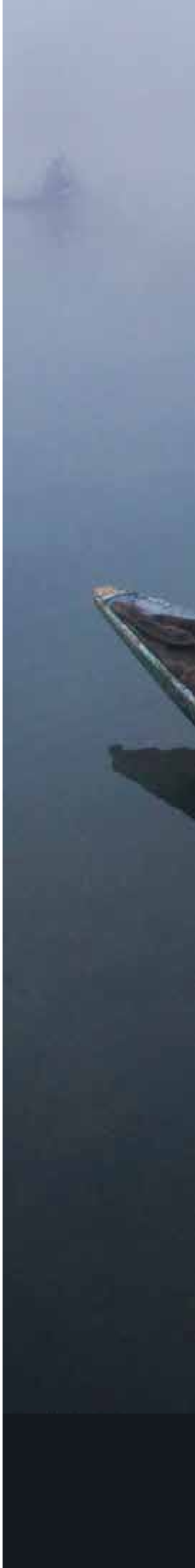
Public funders—multilateral and bilateral donors and development finance institutions—regard microfinance as a tool to achieve development goals, such as poverty reduction and economic and social development. In contrast, for private commercial investors, microfinance presents an opportunity to diversify their investment portfolios while doing good. Growing interest in microfinance from private investors, both retail and institutional, has led to the emergence of over 100 intermediaries, such as microfinance investment vehicles (MIVs), holding companies, and peer-to-peer lending platforms. Most of these funders share a philosophy of the so-called double bottom line—a mix of social and financial return expectations.

Several factors have characterized the funding landscape in the recent past. While public funding for microfinance has helped build an industry that now attracts private funding, both international and local, there is now a much broader range of funders than in previous times. The influence of private funders is becoming more pronounced, with new foundations, individual philanthropy, and peer-to-peer funding on the rise as well.

Given the larger and more diverse number of funders that are active today, CGAP promotes awareness of the evolving role that donors and investors play in financial inclusion. Whereas donor support has succeeded in building today's microfinance industry with strong institutions, achieving the broader vision of financial inclusion will require that donors and investors go beyond institution building to facilitating market development. Understanding this fundamental shift in the market and responding appropriately is a complex undertaking. This is why CGAP is working closely with donors and investors to ensure that these funders can continue to support financial inclusion in this shifting landscape in the most effective way.

While the funding landscape has changed, global priorities on the development agenda are shifting, too. Financial inclusion is competing for attention—and funding—with other priority areas covering a wide spectrum: food security, climate change, gender inequality, and support for fragile states, just to name a few. Following the financial crisis, job creation is also high on the agenda, not only in developing countries, but in donor countries as well. Additionally, budgetary pressures in donor countries translate into an increased need to demonstrate effectiveness of aid funding.

With more priority areas competing for resources on the global development agenda, this added pressure to demonstrate effectiveness and results of financial inclusion and microfinance makes it important to improve transparency and strengthen accountability systems. Transparency around who is funding what, where, and on what terms can help funders identify gaps and learn from what works and what doesn't.



IMPROVING TRANSPARENCY AND QUALITY

CGAP works with its members to increase the effectiveness of their funding for financial inclusion, focusing on building staff capacity and increasing accountability for results. CGAP's work to improve the effectiveness of microfinance is built around two main areas: improving the transparency and quality of funding.

Improved transparency of funding is important for all stakeholders in the microfinance industry. Equipped with better information, funders can make informed decisions about what markets to concentrate on and how to make their investment choices. Similarly, CGAP's effort to improve the quality of funding focuses on how funders' work will lead to improvements on *what* is achieved on the ground. Having the right strategies, systems, and processes in place is essential for funders to achieve impact.

HIGHLIGHTS OF THE YEAR

Improving Transparency of Funding. To address the general scarcity of data and research available on equity investments in microfinance, CGAP has been working with J.P. Morgan to publish an annual Global Microfinance Equity Valuation Survey Report. This year's report found that the microfinance private equity market experienced stronger deal flows in 2011, with almost twice the number of transactions and a 43 percent increase in capital compared to 2010. The fourth CGAP and J.P. Morgan report since its start in 2009 confirmed that Latin America is a leading region that accounts for more than half of the amount of investments in private equity, followed by Asia.

To gain a deeper understanding of how recent market challenges have affected investment funds, CGAP conducted a market scan on microfinance investment trends in the first quarter of 2012. The scan revealed that despite the global economic recession, the growth rate of the 10 largest MIVs was on the rise. It showed that, while the overall support from investors remained strong, raising private investor capital has become more challenging, due to negative developments and publicity in several markets. The results are summarized in the Brief **"How Have Market Challenges Affected Microfinance Investment Funds?"** (May 2012).

Another important tool to improve the transparency of microfinance funding is the annual CGAP Funder Survey. This year's findings were published in **"Trends in Cross-Border Funding"** (December 2011). Based on the findings of the 2011 survey of the 20 largest microfinance funders and previous surveys, this Brief describes global trends in microfinance funding between 2007 and 2010. The 2011 survey reveals that cross-border funders remain committed to microfinance and financial inclusion more broadly. Another key finding was that cross-border funding for microfinance has increased over the past four years, reaching at least US$24 billion in commitments by December 2010. Funders see responsible finance as one of their main focus areas in financial inclusion for the next five years, and they want to further play a role in moving beyond the credit-only model and in increasing outreach to still underserved markets.

Featuring an in-depth regional analysis, CGAP published **"Microfinance Investment in Sub-Saharan Africa"** (June 2012)—a Brief on the role of public and private foreign investors in sub-Saharan Africa. It is an area of increasing interest to donors and investors because of the rising investment flows countries in the region attract. Our research shows that despite the region's strong economic growth, the global share of microfinance investment there is among the lowest, with weak management, poor MFI performance and governance, and lack of transparency among the most significant barriers to investment in the region.

As part of an ongoing research project on the increasingly prominent role played by apexes in microfinance, CGAP issued recommendations for donors supporting apex institutions. Apexes are local wholesale funds that pool funding from cross-border funders and national governments and provide loans or grants to MFIs. With the number of

apexes worldwide rising and the total amount of funding coming through them increasing as well—in 2009, the 15 largest apexes dispersed over US$1.5 billion—CGAP reviewed recent experience with apex facilities that support institutions delivering retail financial services to poor and low-income clients in **"A New Look at Microfinance Apexes"** (June 2012).

Improving Quality of Funding. Responsible finance has emerged as a timely issue in the discussions around financial inclusion. As part of our work to improve the quality of funding, we undertook a study to look into the role of investors in the governance of MFIs. The study found that the microfinance industry is lagging in applying accepted good practices in governance. Based on interviews with more than 100 microfinance insiders, the study revealed a widely held perception that equity investors—including private microfinance funds and public international financial institutions—are not doing enough to govern actively and strengthen the oversight of MFIs by their owners.

In addition to its research work, CGAP continues to play an important convening role for donors and investors, facilitating collaboration and bringing them together with other stakeholders in the microfinance industry to discuss key issues in financial inclusion that need donor and investor attention.

With more than 18 donors participating in the **SmartAid Index**—an evaluation tool that is offered biannually—CGAP organized a peer-learning event for the donor community to share the learning and the emerging issues revealed by this initiative. The event, which took place in Paris in July 2011, focused particularly on accountability systems and ways in which donors can continue to improve their learning and feedback loops to improve the impact of their programs. CGAP also shared the broader impact of its effectiveness work at the 4th High Level Forum on Aid Effectiveness in

Busan, Korea. In Busan, the international development community endorsed “transparency and accountability” as one of the shared principles of international development cooperation. Following the Busan High Level Forum, Canadian CIDA, the Inter-American Development Bank, the United States, CDC, and the UN Capital Development Fund (UNCDF) joined the International Aid Transparency Initiative, a multi-stakeholder initiative that develops international standards and guidelines for publishing information about aid spending.

In light of the heightened focus on accountability, CGAP has been working closely with donors on conducting portfolio reviews, another independent evaluation tool that looks at an agency’s entire portfolio of microfinance projects or significant segments of it. This form of review allows a donor to extract lessons across its portfolio, allowing the agency to see more clearly what kinds of projects perform better than others. Portfolio reviews are excellent learning tools that go far beyond the reach of project evaluations.

Throughout the year, CGAP organized a series of consultations and workshops with donors and other stakeholders, with the objective of developing new guidance for donors. These consultations are confirming donor interest in advancing financial inclusion by focusing on market development.

As part of our knowledge-building and peer learning activities during FY2012, CGAP organized the 15th Francophone Africa Funder Meeting together with the Banque Centrale des Etats de l’Afrique de L’Ouest (BCEAO; Central Bank of West African States). This meeting brought together 24 organizations from 12 countries. Themes discussed focused on the state of microfinance in the WAEMU region, the state of financial inclusion with a focus on Sub-Saharan Africa, branchless banking in WAEMU, and the role of donors and investors in the case of provisional administration and consumer protection. Panelists highlighted the need for more coordination and information sharing among donors on funding. Participants were particularly interested in the need for a better understanding of the demand side as an essential condition for financial inclusion.

CGAP also runs a training course aimed specifically at staff of donors and investors—the only one of its kind in the microfinance industry. The 2012 CGAP Funders Course took place in Nairobi, Kenya, with the training covering the latest developments in microfinance, including client protection and branchless banking. CGAP also facilitated two donor coordination meetings for Tunisia, bringing together the new Tunisian government and donors intending to support financial inclusion in the country.

LOOKING AHEAD

As the development landscape continues to evolve, donors need to respond to changes in the market as they work toward the development of inclusive financial markets. CGAP will continue to work with donors and investors to keep the focus on transparency and quality, to ensure that funders invest in a catalytic way and allocate funding where it can add most value. Going forward, we see a growing need for funders to go beyond institution building to facilitating broader market development.

REACHING AUDIENCES IN OTHER LANGUAGES

The Microfinance Gateway is a key asset in CGAP’s role as a convener and is one of the primary channels through which CGAP engages the community and promotes knowledge exchange. The Gateway serves as a multilingual platform for the broader community to learn, share ideas, and engage on a range of topics related to financial inclusion. With regional sites in Spanish, French, and Arabic, the Gateway tailors information to the region and language of our users. For example, the Arabic Gateway hosted a blog with various articles about the Arab Spring and the effects on different countries in the region.

CGAP.ORG

The launch of the new CGAP Web site, cgap.org, in September 2012 represented the culmination of over two years' work. In that time, we moved from an outdated IT model that used a highly customized and proprietary content management system to a cutting-edge interface, complete with a front-facing Web team focused on using the latest and emerging technologies to support strategic communications.

We made an important decision to move to an open-source technology—Drupal. We outsourced development, and moved to managed hosting.

This new model is agile and flexible. It is streamlined, lean, and very efficient. This transformation resulted in significant cost savings and a far superior tool for CGAP communications.

The site incorporates new features that make CGAP content more easily accessible for users around the world. The new site uses mobile-responsive design, which allows users to view all content on mobile devices, such as an iPad, tablet, or phone, and the site is optimized for a range of devices. Publications are available in pdf and for downloading to the iBook or Kindle for greater accessibility and a better user experience in low-bandwidth areas.

Users now can share a blog post, feature article, video, or publication with their networks using social sharing buttons throughout the site—including Facebook, LinkedIn, and Twitter. The site's data visualizations along with their underlying data are just some of the visual elements across the site that are optimized for social sharing.

FY2012 CGAP PUBLICATIONS

Briefs

- Microfinance Investment in Sub-Saharan Africa (June 2012)
- How Have Market Challenges Affected Microfinance Investment Funds? (May 2012)
- A Structured Approach to Understanding the Financial Service Needs of the Poor in Mexico (May 2012)
- Financial Inclusion and Stability (May 2012)
- Can Postal Networks Advance Financial Inclusion in the Arab World? (May 2012)
- Trends in Cross-Border Funding (December 2011)
- Branchless Banking in Pakistan (October 2011)
- The Role of Funders in Responsible Finance (October 2011)

Focus Notes

- A New Look at Microfinance Apexes (no. 80)
- Voting the Double Bottom Line (no. 79)
- Designing Disclosure Regimes for Responsible Financial Inclusion (no. 78)
- Social Cash Transfers and Financial Inclusion (no. 77)
- Financially Inclusive Ecosystems (no. 76)
- Bank Agents: Risk Mitigation, Management, and Supervision (no. 75)
- Incorporating Consumer Research into Consumer Protection Policy Making (no. 74)
- Responsible Finance (no. 73)
- Emerging Lessons for Public Funders in Branchless Banking (no. 72)

Forums

- Financial Access 2011 (no. 5)
- The KGFS Model in India (no. 4)
- Volume Growth and Valuation Contraction (no. 3)
- Latest Findings from Randomized Evaluations (no. 2)
- Credit Reporting at the Base of the Pyramid (no. 1)

Occasional Paper

- A Survey of the Evidence on Overindebtedness (no. 19)

Technical Guides

- Information Systems (January 2012)
- Advancing Savings Services: Resource Guide for Funders (October 2011)

White Paper

- Global Standard-Setting Bodies and Financial Inclusion for the Poor (October 2011)

GOVERNANCE STRUCTURE

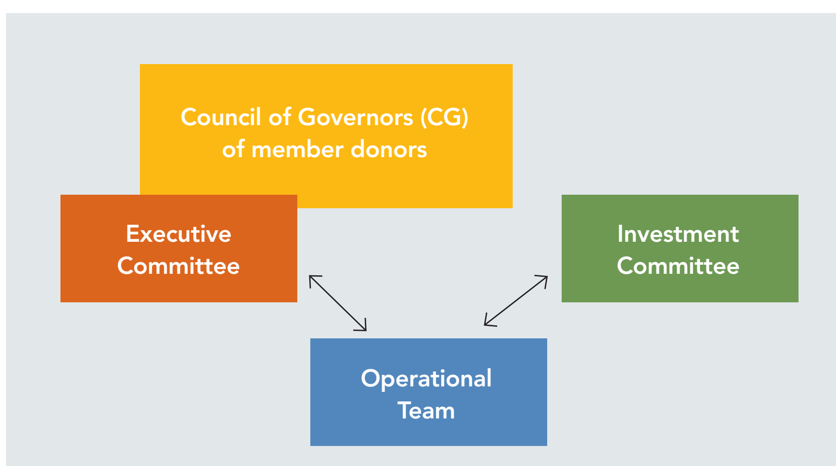
CGAP has an autonomous governance structure that consists of the Council of Governors (CG) of **member donors,** the **Executive Committee** (Excom), and the Investment Committee (IC). Housed within the Financial and Private Sector Development Vice-Presidency of the World Bank Group, the Operational Team implements CGAP's activities.

The **CG** is CGAP's highest governing body and operates as a general assembly. It is responsible for setting CGAP's broad policies and strategic direction, providing inputs to the annual work plan and budget, adopting and implementing CGAP's consensus documents and guidelines, and determining the extension or disbandment of CGAP. The CG currently has 33 members; these include bilateral and multilateral development agencies, regional development banks, development finance institutions, and private foundations.

The **Excom** functions as CGAP's board and executive governing body. It has oversight of CGAP's activities and is responsible for providing strategic guidance to the Operational Team and approving the workplan and budget on behalf of the CG. The Excom is composed of representatives of the CG and leading microfinance industry practitioners.

The **IC** provides fiduciary oversight of CGAP. It makes decisions on key CGAP investment allocations and allocations for projects with budgets of more than US$100,000. The IC meets several times a year and consists of senior-level World Bank Group managers.

The **Operational Team,** headed by CGAP's chief executive officer, is responsible for implementing CGAP's activities and programs. CGAP has offices in Washington, D.C., and Paris, France.



MEMBER DONORS FY2012*

African Development Bank (AfDB)
Representative: Rafael Jabba
http://www.afdb.org

Agence Française de Développement (AFD)
Representatives: Marie-Laure Garnier and Philippe Serres
http://www.afd.fr

Agencia Española de Cooperación Internacional para el Desarrollo (AECID)
Representative: Juancho Izuzquiza Rueda
http://www.aecid.es

Asian Development Bank (AsDB)
Representatives: Noritaka Akamatsu and Qifeng Zhang
http://www.adb.org

Australian Agency for International Development (AusAid)
Representatives: Bob Quiggin, Alopi Latukefu, Fareeha Ibrahim, and Christine Groeger
http://www.ausaid.gov.au

Bill & Melinda Gates Foundation
Representatives: Rodger Voorhies and Daniel Radcliffe
http://www.gatesfoundation.org

Canadian International Development Agency (CIDA)
Representative: Connie Tulus
http://www.acdi-cida.gc.ca

Citi Foundation
Representatives: Pamela P. Flaherty, Brandee McHale, Graham MacMillan, and Irene Shiba
http://www.citi.com

FMO, Dutch Development Bank
Representatives: Frederik J. Van Den Bosch and Roel Vriezen
http://www.fmo.nl

The Ford Foundation
Representative: Frank DeGiovanni
www.fordfoundation.com

German Federal Ministry for Economic Cooperation and Development (BMZ)
Representative: Susanne Dorasil
http://www.bmz.bund.de

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
Representatives: Karen Losse and Wolfgang Buecker
http://www.gtz.de

European Bank for Reconstruction and Development (EBRD)
Representative: Henry Russell and Alfonso Vega Acosta
http://www.ebrd.com

European Commission (EC)
Representatives: Monica Peiro-Vallejo and Michele Chiappini
http://www.ec.europa.eu

European Investment Bank (EIB)
Representatives: Edvardas Bumsteinas and Perrine Pouget
http://www.eib.org

India Ministry of Finance
Representative: Umesh Kumar
http://meaindia.nic.in

Inter-American Development Bank (IDB)/ Multilateral Investment Fund (MIF)
Representatives: Tomas Miller, Nancy Lee, Sandra H. Darville, and Sergio Navajas
http://www.iadb.org

International Finance Corporation (IFC)
Representatives: Martin Holtmann and Peer Stein
http://www.ifc.org

**As of 31 October 2012.*

International Fund for Agricultural Development (IFAD)
Representatives: Michael Hamp and Francesco Rispoli
http://www.ifad.org

International Labour Organization (ILO)
Representative: Craig Churchill
http://www.ilo.org

Japan International Cooperation Agency (JICA)
Representatives: Kazuto Tsuji, Makoto Iwase, and Shinichiro Yoshida
http://www.jica.go.jp

Kreditanstalt für Wiederaufbau (KfW)
Representative: Matthias Adler
http://www.kfw.de

Luxembourg Ministry of Finance
Representative: Nima Ahmadzadeh
http://www.fi.etat.lu

Luxembourg Ministry of Foreign Affairs
Representative: Daniel Feypel
http://www.mae.lu

The Mastercard Foundation
Representatives: Reeta Roy and Ann J. Miles
http://www.themastercardfoundation.org

Michael and Susan Dell Foundation
Representative: Geeta Dutta Goel
http://www.msdf.org

Ministry of Foreign Affairs, Italy
Representatives: Mauro Massoni and Nicola Pisani
http://www.esteri.it

Ministry for Foreign Affairs, Finland
Representative: Mika Vehnämäki
http://www.formin.fi

The Netherlands Ministry of Foreign Affairs
Representative: Richard Dons
http://www.minbuza.nl

NPM, Platform for Inclusive Finance
Representative: AJ Engelsman
http://www.microfinance.nl

Norwegian Agency for Development Cooperation (NORAD)
Representative: Anniken Esbensen
http://www.norad.no

Norwegian Ministry of Foreign Affairs
Representative: Ingrid Glad
http://www.mfa.no

Omidyar Network
Representatives: Arjuna Costa and Amy Klement
http://www.omidyar.com

Royal Danish Ministry of Foreign Affairs
Representative: Jorn Olesen
http://www.um.dk

Swedish International Development Cooperation Agency (Sida)
Representatives: Ola Sahlen and Jenny Collste
http://www.sida.se/English

Swiss Agency for Development and Cooperation (SDC)
Representative: Johann-Friedrich (Hans) Ramm
http://www.deza.admin.ch

UK Department for International Development (DFID)
Representatives: Anuradha Bajaj, Haroon Sharif, and Claire Innes
http://www.dfid.gov.uk

United Nations Capital Development Fund (UNCDF) United Nations Development Program (UNDP)
Representatives: Henri Dommel and John Tucker
http://www.undp.org

United States Agency for International Development (USAID)
Representatives: Shari Berenbach and Jeffrey Levine
http://www.usaid.gov

World Bank
Representatives: Janamitra Devan and Simon Bell
http://www.worldbank.org

EXECUTIVE COMMITTEE MEMBERS

Vijay Mahajan, *Chair*
Chairman, BASIX

Matthias Adler
Principal Financial Sector Economist, Kreditanstalt für Wiederaufbau (KfW)

Clara Akerman
President, Banco WWB Colombia & Fundacion WWB Colombia

Edvardas Bumsteinas
Senior Investment Officer, European Investment Bank

Renée Chao Béroff
Director General, PAMIGA

Robert Christen
Director, Financial Services for the Poor, Bill & Melinda Gates Foundation

Michael Hamp
Senior Technical Adviser, IFAD

Karen Losse
Senior Adviser, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

Haroon Sharif
Senior Adviser, UK Department of International Development (DFID)

Rodger Voorhies
Director, Bill & Melinda Gates Foundation

Tilman Ehrbeck, *ex-officio*

INVESTMENT COMMITTEE MEMBERS

Janamitra Devan, *Chair*
Vice President, Financial and Private Sector Development, The World Bank

Junaid Kamal Ahmad
Sector Director, The World Bank

Simon Bell
Sector Manager, The World Bank

Deepak Bhattasali, *Vice Chair*
Lead Economist, The World Bank

Gerard Byam
Director, The World Bank

Tomas Miller
Unit Chief/Access to Finance,
Multilateral Investment Fund (MIF)

David Satola
Lead Counsel, The World Bank

James Peter Scriven
Director, IFC

Antony Thompson
Manager, The World Bank

Robert Annibale
(Representing CGAP Executive Committee)
Global Director of Citi Microfinance, Citigroup

DRAFT NOTES ON CGAP FINANCIAL STATEMENTS

PROJECTIONS FOR FISCAL YEAR 2012, ENDING ON 30 JUNE 2012

CGAP is an independent policy and research center dedicated to advancing financial access for the world's poor. It is supported by over 30 development agencies and private foundations who share a common mission to alleviate poverty. CGAP provides market intelligence, promotes standards, develops innovative solutions, and offers advisory services to governments, financial service providers, donors, and investors. It is housed in the World Bank, which, on behalf of other member donors, has legal, financial, and administrative oversight of CGAP. CGAP's grants, projects, and most of its initiatives span more than one fiscal year. CGAP follows the World Bank's fiscal year, which ends on 30 June.

These financial statements include a Statement of Revenues and Expenses, a Balance Sheet, a Statement of Cash Flows, and accompanying notes. The financial statements are unaudited. Internal audits are performed by the World Bank Group's Quality Assurance Unit. CGAP also participates in the World Bank Group's single audit exercise annually.

Key Highlights

- *Donor Contributions.* CGAP members continued to demonstrate their commitment to CGAP's five-year strategy through sustained core funding. Total revenue in FY2012 was $22.1 million, of which $15 million was for core contributions. Core contributions increased by nearly $2 million in comparison to FY2011. CIDA's FY2012 contribution, along with significant increases from DFID and AusAid, and increases from USAID and Dell Foundation accounted for the change. Designated contributions also increased as a result of MasterCard Foundation's support to our work on Clients and Products and Technology and Business Model Innovation in West Africa. MasterCard Foundation joined DFID and the Bill & Melinda Gates Foundation in support of the Technology and Business Model Innovation work.
- *Commitments.* In FY2012, CGAP committed $4.7 million in new grants and initiatives. These commitments largely represent funding extensions for CGAP's core thematic work and programmatic initiatives through the end of the current phase (FY2013). This included $538K for the Policy Initiative—Phase IV, $740K for Clients and Products, $500K for Donor and Investors, $500K for MIX, and $750K for Microfinance Gateway Phase IV. The second tranche ($1 million) of CGAP's three-year, $3 million direct investment in Technology and Business Model Innovation was also included in FY2012 commitment totals. Approximately $5.9 million in designated contributions were committed to the Technology and Business Model Innovation program and $724K in designated contributions to Clients and Products and related communications activities.
- *Operating Expenses.* Operating expenses in FY2012 closed at $9.1 million, down from $11.4 million in FY2011. While there were cost savings in most expense categories from FY2011 to FY2012, this $2 million decrease in expenses is largely due to decreased spending in IT investments and a returned donor contribution ($1.4 million) accounted for in FY2011, which had inflated operating expenses significantly.
- *Communications and Information Technology (Web).* In the past, Communications and Information Technology were organized as separately functioning units and with separate team leads and budgets. In FY2012, we changed the business model to better deliver our external Web presence and meet our needs in a rapidly changing

information technology environment. We dissolved our former standalone Information Technology unit and created a new Web Team within Communications and under the direction of the Communications Manager. As a result of this change and integrated approach, we are achieving significant gains in productivity at significantly lower costs.

IT expenditures decreased from $1 million in FY2011 to $360K in FY2012. This was due to staffing changes and a delay in infrastructure investments. Looking ahead we can expect to see increases associated with platform migrations and system upgrades, as these major investments will fall in the coming fiscal year.

CGAP's communications commitments included publications, mailings, translations, and dissemination. Expenses for communications activities closed at $778K, slightly lower than in FY2011.

FINANCIAL POSITION

CGAP's financial position is sound. Operating reserves increased from $7 million in FY2011 to $8.4 million in FY2012. The CGAP Management Team continues to exercise fiscal prudence by adhering to a tightened travel policy of mostly economy flights and streamlined costs through programmatic alignment across teams. The increase in core contributions also strengthened our fiscal position. The combination of continued fiscal prudence and increased contributions has resulted in a $1.4 million surplus of revenue over expenses.

1. Basis of Accounting

CGAP reports its financials on an accrual basis. This gives the reader a more accurate understanding of CGAP's financial position by showing funds approved for commitments separately from funds available for ongoing operations and future commitments. Resources are expensed when committed to projects.

Revenue from donor pledges is recognized when written notification of a donor's intent to process the grant is received. In most cases, pledges are fulfilled during the fiscal year in which they were made. Sometimes they are received in the following year(s). These (unaudited) financial statements are prepared on a historical cost convention, and are denominated in U.S. dollars.

2. Contributions from Donors—Core and Designated

Donor contributions (including pledges that have not yet been received but are being processed by the donor), interest income, and foreign exchange gains are included in CGAP's revenues. Per CGAP's charter, core funding is a criterion for membership and all members are expected to contribute core funding to carry out CGAP's operations. Once donors have made core (unrestricted) contributions, they can make, in exceptional cases, a contribution intended to a specific purpose (designated), to the degree that the proposed activity is consistent with CGAP's overall strategy and framework. Amounts of donor contributions to CGAP's core funds can be found in the table on CGAP Member Donor Contributions and Pledges, FY2011–2013.

The Statement of Revenues and Expenses shows donor contributions allocated for FY2010–2013. The Statement of Cash Flows/Inflows, on the other hand, shows all donor contributions received during the fiscal year regardless of the fiscal year to which they relate.

3. Interest Income, Foreign Exchange Gains, and Adjustment

Interest income is the interest received during the fiscal year on cash balances held. Foreign exchange gains are the difference between the estimated U.S dollar equivalent of donor contributions appearing in the previous year's financial statements and the actual U.S. dollar value of the contribution when it was finally converted to U.S. dollars. Interest income in FY2012 was $163K compared to $224K in FY2011.

4. Grants and Initiatives

This expense category relates to CGAP's work program, which is carried out through grants to external recipients, as well as staff-led initiatives in support of our core areas of work. Project-related commitments for consultants and travel come out of this category. Approved commitments that are not fully disbursed when closed are returned to the original trust fund where the commitments were derived. Commitment amounts are therefore reported net of returns.

5. Operating Expenses

Operating expenses comprise the following:

- Staff Salaries and Benefits include salaries and benefits of direct-hire CGAP staff.
- Office and Occupancy Costs include space, equipment, communications, supplies, and other overhead expenses.
- Monitoring and Evaluation include costs of consultants, travel, and meetings, related to the external evaluation of CGAP initiatives.
- CGAP Internships include the costs of associate microfinance analysts and the summer fellows program.
- CGAP Representation, Member Services, and Training include costs that are not related to grants and initiatives (airfare, subsistence, and hotel costs to give presentations, participate in external events, and fund presenters, corporate consultants, trainers, CGAP-hosted meetings, and brown bag events.)
- Communications Activities include publishing, printing, editing, and all Web content management costs, including Microfinance Gateway and CGAP.org, etc.
- Information Technology Activities include Web site development and maintenance, CGAP's intranet services, and back-end database support for project data, monitoring, and evaluation.
- CG and Excom Meetings include travel, facilities, food services, and other expenses connected with CGAP's annual meeting and Excom meetings.
- Foreign Exchange Loss is the difference between the estimated U.S. dollar equivalent of donor contributions appearing in previous year's financial statements and the actual U.S. dollar value of the contribution when it was finally converted to U.S. dollars.
- Returned Donor Contributions refers to donor contributions included in the previous year's financial statements but later cancelled or returned due to donor request.
- Administration Fees are levied by the World Bank for costs related to trust fund administration (currently at 5 percent of contribution).

6. Operating Reserves

Reserves are funds available for ongoing operations and future commitments. Given that CGAP does not generate revenue, an operating reserve is maintained to cushion the effects of delays in donor contributions and to allow an orderly wind-down of CGAP activities should member donors decide to discontinue CGAP's operations in its present form. Our practice is to maintain a minimum operating reserve that would sustain six months operating costs.

7. Bank Balances

Bank balances on hand represent CGAP's available cash balances at the end of the fiscal year. In FY2011, this amount was $5.6 million. In FY2012, this amount was $3.2 million.

Bank balances relating to undisbursed grants/initiatives represent approved commitments that are in the process of being disbursed and hence not available for new commitments. In FY2012, bank balances for undisbursed grants/initiatives were $16 million, slightly decreased from 16.2 million in FY2011. The balances comprised of outstanding grant disbursements related to the Technology and Business Model Innovation Program, funding extensions for CGAP's core thematic work and programmatic initiatives through the end of the current phase (FY2013), and new initiatives committed in FY2012, which started disbursing in FY2012.

8. Donor Contributions Receivable

Donor contributions receivable represents FY2012 contributions and pledges that have not been received or finalized. In FY2012, donor contributions receivable were nearly $6 million (27.5 percent of total FY2012 donor contributions). The table below provides additional details.

Donors (status as of 06/30/12)	Estimated FY12 contribution (US$000)
Finland	285
Ford Foundation	200
France (Treasury)	240
IFAD	500
Japan	300
Luxembourg	564
Norway	822
Spain	205
MasterCard Foundation (Designated contribution)	2,872
TOTAL	**5,988**

9. Liabilities

The undisbursed portion of Grants, Initiatives, and Communications Activities represents funding commitments approved, but not yet disbursed.

10. Contributions Received in Advance

Contributions received in advance represent pledges for future fiscal years that were received in FY2012.

Donors (status as of 06/30/12)	Contribution Received in Advance (US$000)
IFC	450
MasterCard Foundation (Designated contribution)	240
TOTAL	**690**

CGAP FINANCIAL STATEMENTS ($000)

FISCAL YEARS ENDING 30 JUNE 2011 AND 30 JUNE 2012

	FY11 Actual July 2010–June 2011	FY12 Actual July 2011–June 2012
STATEMENT OF REVENUES AND EXPENSES		
REVENUES		
Contributions from Donors—Core	13,298	15,077
Contributions from Donors—Designated	5,639	6,709
Reallocation from Prior Year Commitments		
FPDVP Administrative Fee Transfer	420	200
Interest Income	224	163
Foreign Exchange Gains/Adjustment	752,429	
Total Revenues (A)	**19,581**	**22,149**
EXPENSES		
Grants/Initiatives Committed	1,819	4,753
CGAP Technology Initiative	5,339	5,984
Staff Salaries and Benefits	5,266	5,232
Office and Occupancy Costs	1,067	1,072
Monitoring and Evaluation	29	243
Project Preparation and Rapid Response	18	-
CGAP Field Consultants	605	633
CGAP Internships	68	-
CGAP Staff Travel/Representation and Service Providers	707	549
Communications Activities	897	778
IT Activities	1,067	357
CG and ExCom Meetings	196	210
Foreign Exchange Losses/Adjustment *		200
Unmaterialized Donor Contribution	1,453	
Administration Fee	679	669
Total Expenses (B)	**19,209**	**20,680**
Excess of Revenues over Expenses for the Year (A)–(B)	**372**	**1,469**
Operating Reserves at Beginning of the Fiscal Year	6,645	7,017
Operating Reserves at the End of the Fiscal Year	**7,017**	**8,485**
BALANCE SHEET		
ASSETS		
Bank Balances on Hand	5,621	3,188
Bank Balances Relating to Undisbursed Grants and Initiatives	16,231	16,083
Donor Contributions Receivable	2,571	5,988
Total Assets	**24,423**	**25,259**
LIABILITIES		
Bank Balances Relating to Undisbursed Grants and Initiatives	16,231	16,083
Contributions Received in Advance	1,175	690
Total Liabilities	**17,406**	**16,773**
Operating Reserves/(Net Assets)	**7,017**	**8,485**
Total Liabilities and Net Assets	**24,423**	**25,259**

	FY10 Actual July 2010–June 2011	FY11 Actual July 2011–June 2012
STATEMENT OF CASH FLOWS		
INFLOWS		
Donor Contributions Received	17,858	17,793
Revenues Received from FPDVP and Unused BBEFO	420	200
Interest Income	224	163
Foreign Exchange Gains		
Total Inflows	**18,502**	**18,155**
OUTFLOWS		
Cash Spent against Previous Commitments	4,584	2,614
Grant Disbursements	1,629	484
Disbursements Related to Initiatives	2,955	2,130
Cash Spent against Current Year Commitments	900	734
Grant Disbursements	—	—
Disbursements Related to Initiatives	278	101
Project Preparation and Rapid Response	18	—
CGAP Field Consultants	605	633
CGAP Technology Initiative	6,885	8,279
Grant Disbursements	2,512	3,621
Disbursements Related to Initiatives	4,374	4,658
Operating Expenses	11,429	9,110
Staff Salaries and Benefits	5,266	5,232
Office and Occupancy Costs	1,067	1,072
Monitoring and Evaluation	29	243
CGAP Internships	68	—
CGAP Staff Travel/Representation and Service Providers	707	549
Communications Activities	897	778
IT Activities	1,067	357
CG and ExCom Meetings	196	210
Foreign Exchange Loss		
Unmaterialized Donor Contribution	1,453	
Administration Fee	679	669
Net Increase/(Decrease) in Undisbursed Grants/ Initiatives, and Communications/IT Activities	(6,845)	(148)
Total Outflows	**16,953**	**20,588**
NET INCREASE (DECREASE) IN CASH	**1,549**	**(2,433)**
Bank Balances on Hand at Beginning of the Fiscal Year	4,072	5,621
Bank Balances on Hand at End of the Fiscal Year	**5,621**	**3,188**

** The difference between Italy contribution and actual fund returned to the donor balance account.*

CGAP FINANCIAL STATEMENTS ($000)

FISCAL YEARS ENDING 30 JUNE 2011 AND 30 JUNE 2012

PROJECTED TOTAL DONOR CONTRIBUTIONS TO CGAP BUDGET—FY2011 to FY2013 in U.S. dollars

	FY2011	FY2012	FY2013
World Bank	**3,315**	**2,920,000**	***2,520,000***
AFD/France	**355,076**	**368,010**	***368,010***
African Development Bank	**200,000**	*0*	*200,000*
Asian Development Bank	*0*	*0*	*0*
Australia	**900,000**	**2,133,700**	***1,000,000***
Canada	*0*	**245,857**	***245,857***
Citi Foundation	**100,000**	**100,000**	***250,000***
Dell Foundation	**100,000**	**200,000**	*100,000*
Denmark	**619,951**	**594,809**	***600,000***
European Bank for Reconstruction and Development	*0*	*0*	*0*
European Commission	**575,042**	**575,042**	***1,035,075***
European Investment Bank	**232,997**	**260,340**	***260,340***
Finland	**334,200**	***285,400***	***184,620***
Ford Foundation*	*0*	***200,000***	*0*
France/ Treasury	*0*	***240,000***	*0*
Gates Foundation	**400,000**	***400,000***	*400,000*
Germany	**362,250**	**316,775**	*504,000*
MIF/IADB	**150,000**	**100,000**	*150,000*
IFAD	**500,000**	***500,000***	***500,000***
IFC	**300,000**	**450,000**	**450,000**
ILO	*0*	*0*	*0*
Italy **	**202,605**	**199,840**	*0*
Japan	**300,000**	***300,000***	*300,000*
Luxembourg	**485,445**	*564,000*	*564,000*
Mastercard Foundation	**499,975**	**499,975**	***500,000***
Netherlands	**400,000**	**400,000**	***400,000***
Norway	**908,975**	***821,665***	***821,665***
Omidyar Network	**300,000**	**300,000**	***300,000***
Spain	**394,680**	***204,930***	***204,930***
Sweden	**461,063**	**450,363**	***461,063***
Switzerland	**455,327**	**323,974**	***323,974***
UNCDF	**100,000**	**100,000**	*100,000*
United Kingdom	**245,813**	**822,455**	***775,000***
United States	**100,000**	**200,000**	*200,000*
Core	13,298,399	15,077,135	13,718,534
Designated***	*5,638,801*	6,708,873	8,832,775
Total	18,937,200	21,786,008	22,551,309

Notes:
Contributions with donor pledge are italicized.
Contributions with signed administrative agreement but not yet received are Italicized and bolded.
Contributions received are shaded and bolded.
Contributions in red are assumed pledges based on historical trend.
* Ford: During FY06–11, Ford was unable to contribute to CGAP directly due to conflicting WBG/Ford AML/CFT language. Ford supports CGAP initiatives via direct payment to receiving organizations. Ford restarted its contribution to CGAP in FY12.
** Italy: FY12 contribution represents the difference between donor contribution and actual fund returned to the donor balance account.
*** Designated contributions are as follows:
- FY09: Contribution received: $2.5M from BMGF, $989K from Italy, $211K from DFID, $210K from AFD.
- FY10: Contribution received: $3.1M from BMGF, $3.3M from DFID, $270K from AFD.
- FY11: Contribution received: $3M from BMGF, $2.4M from DFID (Pounds Sterling 1.5M), $54K from the World Bank. Contribution not yet received $240K from AFD.
- FY12: Contribution received: $2.3M from DFID (Pounds Sterling 1.5M), $1.5 M from BMGF, $2.87M from MasterCard pledge.
- FY13: Contribution not yet received $1.5 M from BMGF, $4.93M from MasterCard. Contribution with assumed pledge Pounds Sterling 1.6M from DFID.
- FY14: Contribution not yet received $1.98M from MasterCard. Contribution with assumed pledge Pounds Sterling 1.3M from DFID.
- FY15: Contribution not yet received $1.67M from MasterCard.

*** MasterCard Foundation's Total contribution = $11.44M (FY12: 2.87M, FY13: 4.93M, FY14: 1.98M, FY15: 1.67M)

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PICTURING MICROFINANCE

The annual CGAP Photo Contest, which just celebrated its seventh year, aims to highlight exceptional photography from amateurs and professionals depicting microfinance around the world. The Contest draws thousands of entries from all regions. Over the years, the photo contest has resulted in a remarkable set of images, showcasing the different ways in which poor households use microfinance and how financial inclusion can improve the lives of the poor.

With more than 2,500 entries by photographers from over 80 countries, the **2012 Contest** is the most competitive so far. Several entries are incorporated throughout this report:

Abhijit Chakraborty, *Family Work,* India (Front cover)
Andi Sucirta, *Collecting Rice,* Indonesia (Inside front cover)
Abhijit Chakraborty, *Kurdrum Boy,* India (Inside front cover)
Probal Rashid, *The Watermelons,* Bangladesh (p. 1)
Rodriguez Pulido, *Angelina,* Uganda (p. 3)
Junaid Uddin Ahmed, *Agricultural Contribution,* Bangladesh (p. 4)
Wim Opmeer, *Harvesting Seaweed,* Tanzania (p. 5)
Anvar Khodzhaniyavoz, *Hay,* Uzebekistan (p. 6)
Prakash Hatvalne, *Miles to Go,* India (p. 8)
Aj Ghani, *Circle of Life,* Bangladesh (p. 10)
Joydeep Mukherjee, *Employment Through Microfinance,* India (p. 11)
Anjali Banthia, *Red Peppers,* Nigeria (p. 13)
Mohammad Moniruzzaman, *Women Wage Discrimination,* Bangladesh (p. 15)
Yavuz Sariyildiz, *Frozen Lake,* Turkey (p. 17)
Tarun Chhabra, *Milk Seller,* India (p. 19)
Joydeep Mukherjee, *Thread Factory,* India (p. 20)
Courtesy of Pro Mujer, *Mobile Credit Officer,* Nicaragua (p. 23)
Yolanda Luna, *Credit Promoter,* Mexico (p. 24)
Anjali Banthia, *When You Teach a Woman to Fish,* The Gambia (p. 25)
Mohammad Moniruzzaman, *Decorating Earthen Pots,* Bangladesh (p. 27)
Andi Sucirta, *Floating Market,* Indonesia (p. 28)
Sandipan Majumdar, *Happy Mood,* Vietnam (p. 30)
Andrey Rudakov, *Warmhouse in Siberia,* Russia (p. 31)
Dilip Lokre, *Camel Herder,* India (p. 33)
Mahfuzul Hasan Bhuiyan, *The Juice Maker,* India (p. 35)
Amit Mukherjee, *Flower Seller,* India (p. 37)
Ramon Castillo, *Disabled Broom Maker,* The Philippines (p. 38)
Jay Bendixen, *Ghanian Business Woman,* Ghana (p. 39a)
Daniel Zoltani, *Nepalese Farmer,* Nepal (p. 39b)
Jospeh Molieri, *Grain Toss,* Haiti (p. 39c)
Mary Thibaut, *Microfinance and Women's Rights,* Burkina Faso (p. 39d)
Prakash Hatvalne, *Waiting for Customer,* India (p. 40)
Abhijit Chakraborty, *Dokra,* India (p. 42)
Md. Khalid Rayhan Shawon, *Risky Profession,* Bangladesh (p. 44)
Rynan Villena, *Dried Fish,* The Philippines (p. 49)
Ingrid Bonilla Rodriguez, *Cocadas Vendor,* Colombia (p. 57)
Wim Opmeer, *Working in Cooperation,* Uganda (p. 58)
Kim Chong Keat, *Traditional Charcoal Making,* Malaysia (p. 60)

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