CGAP

ANNUAL REPORT 2004

JULY 1, 2003 – JUNE 30, 2004

CONSULTATIVE GROUP TO ASSIST THE POOR

Washington, D.C.

Building financial systems for the poor

Photographs, front cover (background, then left to right): Two women holding money, Cambodia (Tim Hall/Getty Images); Women removing fish traps, Okavango River, Botswana (Peter Johnson/Getty Images); Farmer on carriage, Egypt (Hisham F. Ibrahim/Getty Images); Woman selling flowers at market stand, Ecuador (Corbis); Bulls pulling carts on a rainy day, India (Corbis).

Photographs, back cover (background, then left to right): Outdoor market, Bombay, India (Eyewire Collection/Getty Images); People making food, Burkina Faso (©1993, The World Bank Photo Library/Curt Carnemark); Hawallah in Kabul, Afghanistan (© CGAP/Doug Pearce, 2003); Man with water buffalo cart, Philippines (©1975, The World Bank Photo Library/Edwin G. Huffman).

CGAP

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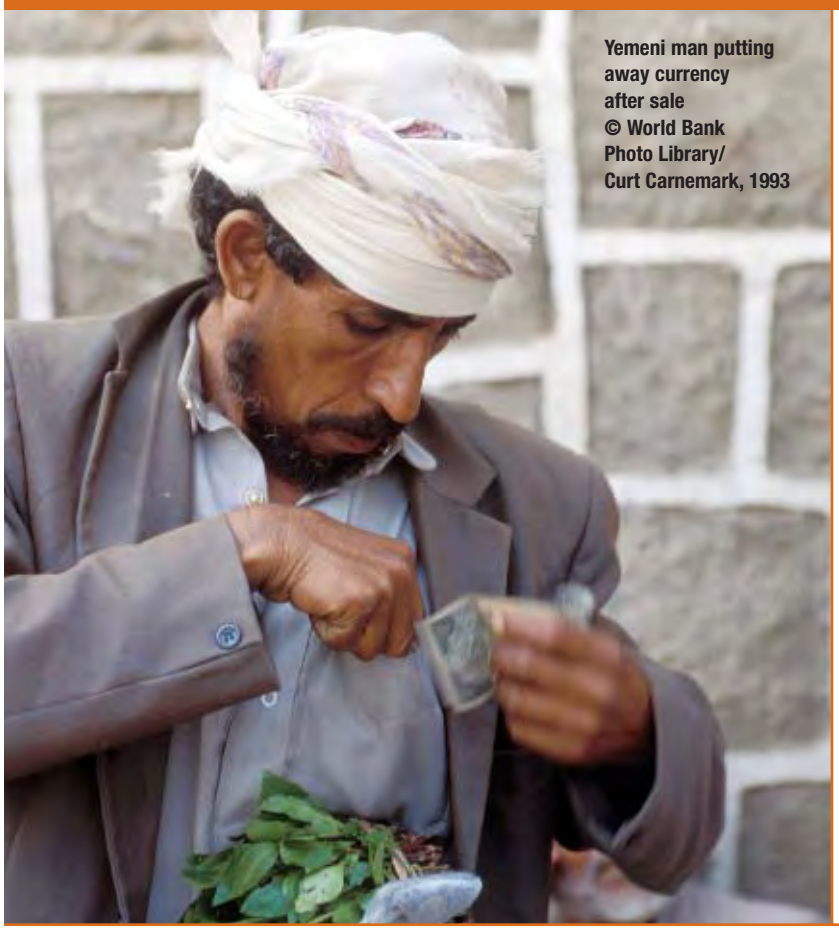


Yemeni man putting away currency after sale © World Bank Photo Library/ Curt Carnemark, 1993

Sustainable microfinance can be a key component in creating sound financial market structures in the world's poorest countries....G8 countries will work with the World Bank-based Consultative Group to Assist the Poor to launch a global market-based microfinance initiative. To assess the status and effectiveness of current microfinance programs, G8 countries will work with CGAP to promote best practices in microfinance for developing countries.

—G8 Action Plan: Sea Island Summit 2004

Financial Services for the Poor: The Basics

WHAT IS MICROFINANCE?

Like everyone else, poor people need and use financial services all the time. They need financial services to take advantage of business opportunities, invest in home repairs and improvements, and meet seasonal expenses, such as school fees and holiday celebrations. They also need financial services to prepare for life-cycle events, such as a daughter's wedding, or to cope with emergencies, like the sudden death of a family wage-earner or a monsoon that wreaks havoc on their village. Access to financial services enables the poor to increase income, build assets, and reduce their vulnerability to external shocks.

Poor people use a wide range of financial services and have done so for centuries. Some are already clients of formal institutions, such as savings and credit cooperatives, government-owned development banks, postal banks, commercial banks, and state banks. Most of the poor, though, usually lack access to the formal financial system, so they have developed a variety of informal financial relationships with, for instance, moneylenders, savings clubs, rotating savings and credit associations, and mutual insurance societies. These informal systems are pervasive in nearly every developing country: vendors may sell goods such as seed or fertilizer on credit and the poor may use informal savings devices like livestock, jewelry, or cash under the

mattress to provide liquidity when the need arises or opportunity knocks.

However prevalent, the mostly informal financial services currently available to the poor have serious limitations in terms of cost, risk, and convenience. Moneylenders generally charge extremely high interest rates on loans. Buying supplies on credit is far more expensive than paying cash. Rotating savings and credit associations usually offer little flexibility in the amount or timing of transactions. A cow is not a divisible asset that can be sold incrementally to meet small cash needs; and it can be stolen, get sick, or die. Lastly, formal financial institutions may not offer financial products that are appropriate to the needs of the poor.

Efforts to extend formal finance to the poor began centuries ago. More recently, in the 1950s, development projects began to introduce subsidized credit programs targeted at specific clienteles. For example, governments and donors subsidized agricultural credit for small and marginal farmers with the goal of raising productivity and incomes. These schemes were rarely successful: subsidized lending was usually associated with massive delinquency, and the benefits of such lending were often captured by the elite instead of the poor.

The general failure of large subsidized credit schemes inspired social entrepreneurs in developing countries to test alternative ways to offer credit to poor people. Beginning in the 1970s, experimental programs run through non-governmental organizations (NGOs)—in Bangladesh, Bolivia, and a few other countries—extended tiny unsecured loans to groups of poor "micro-entrepreneurs," mainly women. This type of microenterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all the other members.

Throughout the 1980s and 1990s, these NGO-based microcredit programs improved upon the original methodologies and bucked conventional wisdom about financing the poor. First, it was shown that poor people, especially poor women, repay their loans. Near-perfect repayment rates, unheard of in the formal financial sectors of most developing countries, were common among the better microcredit programs. Second, the poor were willing and able to pay interest rates that allowed microfinance institutions (MFIs) to cover their costs. Third, the combination of these two features—high repayment and cost-covering interest rates—enabled some MFIs to cover their costs and achieve profitability. Microfinance differs from many other development interventions in that it serves massive numbers of clients without needing continuing subsidies.

CHALLENGES AND LIMITATIONS

By the late 1990s, however, a number of limitations inherent in the microenterprise credit model became apparent:

- Not all poor people run microenterprises. Supply-driven microenterprise credit methodologies don't reach the millions of poor people who don't need business loans, but do need other services, such as savings, consumption credit, insurance, and money transfer services. Convenient and safe deposit services are particularly crucial.

- NGOs, while essential for conducting research and developing new models, face serious challenges in terms of governance and legal limits on their operations. Most have not reached massive scale or independence from donors, although there are major exceptions.

- Microfinance institutions generally do not have large existing infrastructures to deliver microfinance services, but institutions such as commercial and state-owned banks, savings and loan cooperatives, and even retail chains, do.

HOW DOES MICROFINANCE HELP THE POOR?

Microfinance allows poor people to protect, diversify, and increase their sources of income. It helps cushion poor households against the extreme vulnerability that is a feature of their everyday existence and can push a family into destitution. Loans, savings, transfers, and insurance help smooth out income fluctuations and maintain consumption even during lean periods and emergencies. Microfinance gives people more options, empowering them to make their own choices and build their own way out of poverty.

Based on the available quantitative and qualitative studies on the impact of microfinance, the emerging evidence suggests that microfinance:

- reduces poverty and hunger, by allowing the poor to improve assets and incomes
- improves education levels: households with access to microfinance spend more on education than non-client households. Improvements in school attendance and the provision of educational materials are widely reported in microfinance households.
- promotes gender equality and women's empowerment. Most microfinance clients are female; microfinance empowers women by increasing their contribution to household income, the value of their assets, and their control over decisions that affect their lives.
- Reduces child mortality, improves maternal health, and combats disease.

Key Principles of Microfinance

1. **The poor need a variety of financial services, not just loans**. Just like everyone else, poor people need a wide range of financial services that are convenient, flexible, and reasonably priced. Depending on their circumstances, poor people need not only credit, but also savings, cash transfers, and insurance.

2. **Microfinance is a powerful instrument against poverty.** Access to sustainable financial services enables the poor to increase incomes, build assets, and reduce their vulnerability to external shocks. Microfinance allows poor households to move from everyday survival to planning for the future, investing in better nutrition, improved living conditions, and children's health and education.

3. **Microfinance means building financial systems that serve the poor.** Poor people constitute the vast majority of the population in most developing countries. Yet, an overwhelming number of the poor continue to lack access to basic financial services. In many countries, microfinance continues to be seen as a marginal sector and primarily a development concern for donors, governments, and socially-responsible investors. In order to achieve its full potential of reaching a large number of the poor, microfinance should become an integral part of the financial sector.

4. **Financial sustainability is necessary to reach significant numbers of poor people.** Most poor people are not able to access financial services because of the lack of strong retail financial intermediaries. Building financially sustainable institutions is not an end in itself. It is the only way to reach significant scale and impact far beyond what donor agencies can fund. Sustainability is the ability of a microfinance provider to cover all of its costs. It allows the continued operation of the microfinance provider and the ongoing provision of financial services to the poor. Achieving financial sustainability means reducing transaction costs, offering better products and services that meet client needs, and finding new ways to reach the unbanked poor.

5. **Microfinance is about building permanent local financial institutions.** Building financial systems for the poor means building sound domestic financial intermediaries that can provide financial services to poor people on a permanent basis. Such institutions should be able to mobilize and recycle domestic savings, extend credit, and provide a range of services. Dependence on funding from donors and governments—including government-financed development banks—will gradually diminish as local financial institutions and private capital markets mature.

6. **Microcredit is not always the answer.** Microcredit is not appropriate for everyone or every situation. The destitute and hungry who have no income or means of repayment need other forms of support before they can make use of loans. In many cases, small grants, infrastructure improvements, employment and training programs, and other non-financial services may be more appropriate tools for poverty alleviation. Wherever possible, such non-financial services should be coupled with building savings.

The best judges of the value of microfinance are poor customers themselves. Their view of the matter is evident from their actions. When good microfinance services are offered, poor customers almost always take advantage of them. Borrowers are willing to pay interest rates that cover the full cost of lending. Most importantly, the near-perfect loan repayment in well-run programs demonstrates how highly the poor value their access to loans: the main motive for repaying unsecured microloans is the clients' desire to maintain access to future services.

Of course, microfinance on its own is not sufficient to end poverty. Fighting poverty requires concerted efforts on many fronts. Financial services for the poor should be complemented by other interventions, such as education, health services, adequate physical infrastructure, and fair markets. It is also important to recognize that in some circumstances microcredit is not the best tool to fight poverty. The destitute, who do not have any source of income, are usually not appropriate clients for microcredit and may be better served initially through targeted safety-net or grant programs. Successful models in a few countries demonstrate that very poor households are better able to assume the risks that microfinance entails after participating in grant and skills development programs that enable them to slowly build assets and develop their skills. ■

"Like everyone else, poor people need and use financial services all the time."

Key Principles of Microfinance

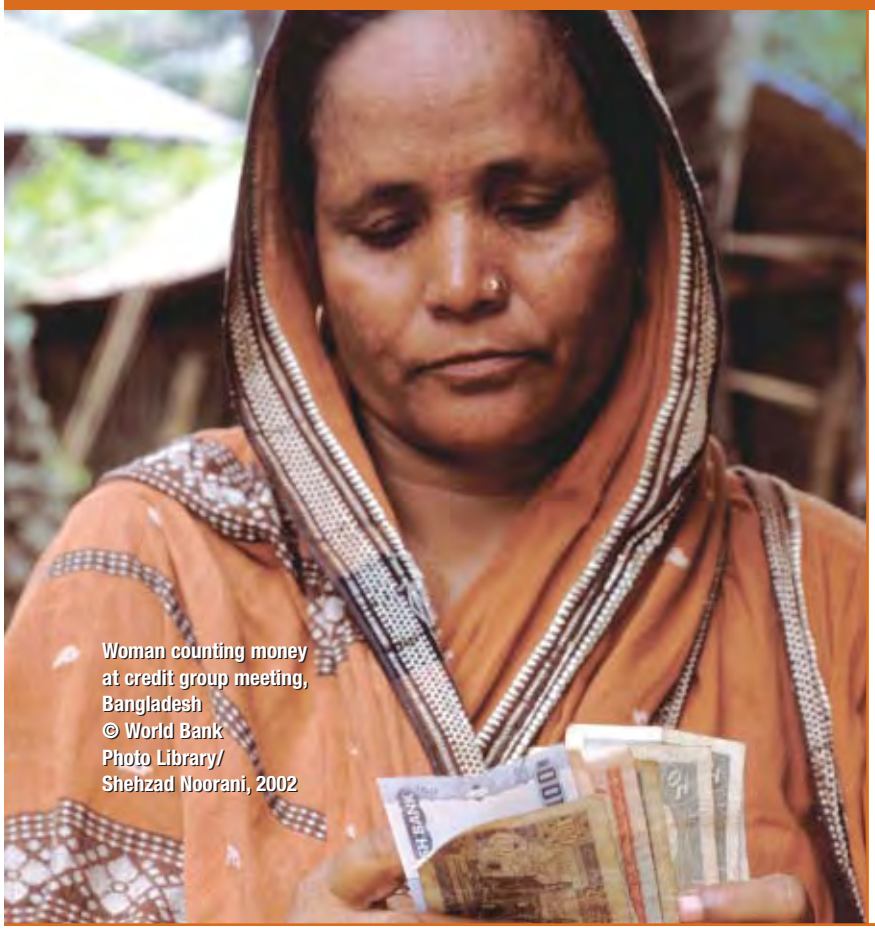
7. **Interest rate ceilings can damage poor people's access to financial services.** It costs much more to make many small loans than a few large loans. Unless microlenders can charge interest rates that are well above average bank loan rates, they cannot cover their costs, and their growth and sustainability will be limited by the scarce and uncertain supply of subsidized funding. When governments regulate interest rates, they usually set them at levels too low to permit sustainable microcredit. At the same time, microlenders should not pass on operational inefficiencies to clients in the form of prices (interest rates and other fees) that are far higher than they need to be.

8. **The government's role is as an enabler, not as a direct provider of financial services.** National governments play an important role in setting a supportive policy environment that stimulates the development of financial services while protecting poor people's savings. The key things that a government can do for microfinance are to maintain macroeconomic stability, avoid interest-rate caps, and refrain from distorting the market with unsustainable subsidized, high-delinquency loan programs. Governments can also support financial services for the poor by improving the business environment for entrepreneurs, clamping down on corruption, and improving access to markets and infrastructure. In special situations, government funding for sound and independent microfinance institutions may be warranted when other funds are lacking.

9. **Donor subsidies should complement, not compete with private sector capital.** Donors should use appropriate grant, loan, and equity instruments on a temporary basis to build the institutional capacity of financial providers, develop supporting infrastructure (like rating agencies, credit bureaus, audit capacity, etc.), and support experimental services and products. In some cases, longer-term donor subsidies may be required to reach sparsely populated and otherwise difficult-to-reach populations. To be effective, donor funding must seek to integrate financial services for the poor into local financial markets; apply specialist expertise to the design and implementation of projects; require that financial institutions and other partners meet minimum performance standards as a condition for continued support; and plan for exit from the outset.

10. **The lack of institutional and human capacity is the key constraint.** Microfinance is a specialized field that combines banking with social goals, and capacity needs to be built at all levels, from financial institutions through the regulatory and supervisory bodies and information systems, to government development entities and donor agencies. Most investments in the sector, both public and private, should focus on this capacity building.

11. **The importance of financial and outreach transparency.** Accurate, standardized, and comparable information on the financial and social performance of financial institutions providing services to the poor is imperative. Bank supervisors and regulators, donors, investors, and more importantly, the poor who are clients of microfinance need this information to adequately assess risk and returns.



Woman counting money at credit group meeting, Bangladesh © World Bank Photo Library/ Shehzad Noorani, 2002

Prior to CGAP, I believe a "field" of microfinance did not exist. . . . Outside of the few microfinance networks, little capacity existed for training, capacity building and dissemination of knowledge. All of this has changed, with much of the progress in building sound practices on a variety of fronts – definitions of financial standards, development of training curricula and facilities, recognition of the importance of both financial sustainability and poverty reduction as compatible goals, expanded capacity for knowledge generation and dissemination, etc.– largely due to CGAP's interventions.

—Frank F. DeGiovanni, Ford Foundation

About CGAP

More than a billion poor people in the world seek access to basic financial services essential to managing their precarious lives. Created in 1995, the Consultative Group to Assist the Poor (CGAP) is a consortium of 28 public and private development agencies working together to build financial systems that serve the poor in developing countries. CGAP works in more than 75 developing countries. Because of its unique membership structure and large network of worldwide partners, CGAP has become an important convening platform to generate global consensus on standards and best practices, serving as a resource center and advisory group for the microfinance community as a whole.

CGAP serves three primary groups of clients: public and private development agencies; financial service providers that serve the poor, including specialized microfinance institutions; and governments. In order to help build the financial market architecture designed to serve the poor, CGAP also works closely with private service providers, such as auditors, rating agencies, and information technology specialists. To each of these client groups, CGAP provides a range of services: advisory services, research and innovation, standards and good practices, and training and knowledge dissemination. (See CGAP's Clients and Services.)

OUR VISION

CGAP's vision is a world in which microfinance is no longer viewed as a marginal or niche sector—a world where poor people are considered legitimate clients of their country's financial system. All poor people should have permanent

access to the varied financial services they need, delivered by a wide array of institutions. Microfinance is an integral part of a competitive and diverse financial system that fosters innovation and growth in all segments of society.

CGAP STRATEGY

To achieve this vision, CGAP pursues the following five key priorities, generally in partnership with donors, financial institutions, and/or networks.

Develop a wide range of financial and non-financial institutions serving the poor with a broad range of appropriate financial services. Expanding microfinance to a billion poor people requires the investment of many different types of financial intermediaries and distribution systems, each serving a distinct market segment of poor people: urban, rural, formally employed, self-employed, etc. While microfinance institutions have played a crucial role in demonstrating that the poor make excellent clients, the NGO model needs to be complemented by other institutional approaches if microfinance is to reach massive scale. There is an urgent need to explore alternative models. In particular, the microfinance community needs to tap into the existing large-scale systems which already deliver services to poor people, such as commercial and state-owned banks, credit unions and other cooperatives, postal saving banks, and even retail chains.

An increasingly broad range of financial services is being designed for the poor by these institutions. New products—flexible door-to-door deposit collection services, domestic money transfers, crop and health insurance, and others—can help meet the needs of various segments of the poor. *CGAP works with partners to encourage the development of new and existing distribution channels and to significantly expand the delivery of a broad range of financial services to poor people.*

Improve the quality and availability of financial information. A sound financial system for the poor requires accurate and comparable information on the performance of financial institutions. Managers, regulators, auditors, domestic and

CGAP'S Clients and Services

FINANCIAL MARKET INFRASTRUCTURE

Microfinance Information eXchange

Rating Fund | IS Fund

Microfinance Gateway | Microfinance MBA

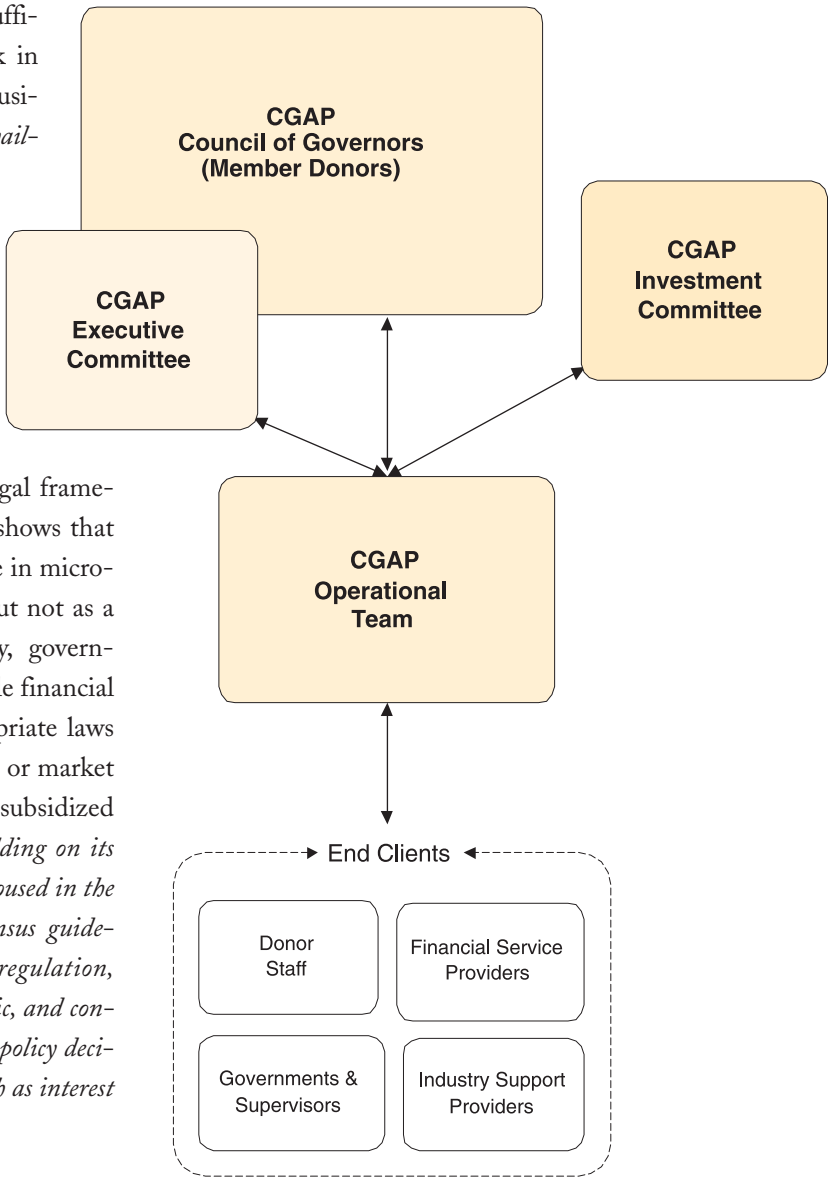
	FINANCIAL SERVICE PROVIDERS	DONORS	GOVERNMENTS
ADVISORY SERVICES	Retail advisory services	Donor Peer Reviews	In-country policy consultations
RESEARCH AND INNOVATION	IT Innovations Series	Paper on foreign investment in microfinance	Research on interest rate ceilings
STANDARDS AND GOOD PRACTICES	Guidelines on financial disclosure	Guidelines for donors	Regulation and supervision consensus guidelines
TRAINING AND KNOWLEDGE	7 Courses on financial management	Donor field staff training	Boulder, Training at BIS, IMF, Fed

international lenders and investors, and, indeed, poor clients themselves need this information in order to make sound decisions. Promoting transparency means developing accurate information at each stage of information gathering, from the initial production of data by financial institutions to external audits and credit ratings to supervision by regulatory authorities.

Unfortunately, microfinance faces challenges at each of these stages. More often than not, MFI information systems are costly to develop and do not provide dependable or uniform data. At the same time, auditors, rating agencies, and supervisory authorities do not have sufficient expertise to accurately assess risk in this high-volume, small-transaction business. *CGAP is improving the quality of available financial information, strengthening microfinance information systems, and advancing the technologies that support them.*

Enhance the policy and regulatory framework. As formal financial systems begin to integrate financial services for poor people, policy and legal frameworks will need to adapt. Experience shows that the government can play a positive role in microfinance as an enabler and facilitator, but not as a direct service provider. Unfortunately, governments can sometimes hinder sustainable financial services for the poor through inappropriate laws and policies (e.g., interest rate ceilings) or market distortions, such as those caused by subsidized lending to specific target groups. *Building on its unique role as a multidonor consortium housed in the World Bank, CGAP disseminates consensus guidelines on appropriate microfinance regulation, responds to requests for advice on this topic, and conducts empirical research that bears on the policy decisions facing governments and donors (such as interest rate ceilings).*

Improve donor effectiveness. With an estimated expenditure rate of US $800 million—US $1 billion per year—international donors remain the most important external non-domestic source of funding for financial services for the poor. Unfortunately, donor support has often been ineffective in helping build permanent access to financial services for poor people. The good practice standards that donors have endorsed are not uniformly applied to operations on the ground. Many donors face numerous external and internal constraints to applying these standards on a consistent basis across their agencies. A number of



these constraints are not only technical, but also structural and organizational. *CGAP engages member donors in a process of concrete change to improve their effectiveness, builds donor staff capacity, and updates donor good practices.*

GOVERNANCE STRUCTURE

CGAP is housed at the World Bank but operates as an independent entity. It has its own governance structure, consisting of the Council of Governors of member donors, an Executive Committee, and an Investment Committee. The CGAP Operational Team implements its various initiatives.

Council of Governors *(CG)*. The CG constitutes the membership and governance body of CGAP. The CG is composed of representatives of 28 bilateral and multilateral development agencies and private foundations. It is chaired by Nemat Talaat Shafik, Vice President for the Infrastructure Network at the World Bank. CGAP's Annual Meeting was held in November 2003 in Paris, France. It focused on the CGAP system as a whole, in particular, how donor members could use CGAP to improve their effectiveness.

CGAP Member Donors Representatives

BILATERAL MEMBERS

Australia	Jacinta Overs
Belgium	Charles Bois d'Enghien, Charles Tollenaere
Canada	Jonathan Rothschild
Denmark	Morten Elkjaer
Finland	Tuuka Castren
France	Martha Stein-Sochas, Jean Bruschi
Germany	Uwe Schmidt, Roland Siller, Dirk Steinwand
Italy	Sebastiano Salvatori, Daniele Di Ceglie
Japan	Kiyo Oi, Sonoko Takahashi, Kazunori Hosoya, Miwa Miyata
Luxembourg	Thierry Lippert, Miguel Marques
Netherlands	Johan de Waard, Stijn Albregts
Norway	Hege Gulli,[3] Berit Fladby
Sweden	Jan Grafstrom
Switzerland	Hansruedi Pfeiffer
United Kingdom	David Stanton,[2] Richard Boulter
United States	Kate McKee

MULTILATERAL MEMBERS

African Development Bank (AfDB)	Ross Croulet, Philibert Afrika
Asian Development Bank (AsDB)	Jan van Heeswijk, Nimal Fernando[3]
European Bank for Reconstruction and Development (EBRD)	Elizabeth Wallace
European Commission (EC)	Odoardo Como, Andreas Schwartz
Inter-American Development Bank (IDB)	Alvaro Ramirez, Dieter Wittkowski
International Bank for Reconstruction and Development (World Bank)	Nemat Talaat Shafik,[1] Carlos Cuevas,[3] William F. Steel
International Fund for Agricultural Development (IFAD)	Henri Dommel
International Labour Organization (ILO)	Bernd Balkenhol, Craig Churchill
United Nations Development Programme (UNDP) **United Nations Capital Development Fund** (UNCDF)	Peter Kooi, John Tucker

FOUNDATIONS

Argidius Foundation	Jim Shetler, Koenraad Verhagen
Ford Foundation	Frank DeGiovanni[3]

[1] *Chair, Consultative Group* [2] *Chair, Excom* [3] *Member, Excom*

Executive Committee *(Excom)*. The Executive Committee functions as CGAP's executive governing body. The Executive Committee supports the Operational Team with strategic guidance and approves CGAP's annual budget and work plan. One of its key roles is to work with the Council of Governors to carry out the strategy for CGAP's third phase (2003–2008), to which they have all subscribed (referred to as the CGAP III strategy). The Excom is comprised of ten members: four are elected by the CG constituencies which they represent; one is appointed by the World Bank; four are leaders in the financial world; and the CGAP CEO is the tenth, ex officio, member. David Stanton of the UK Department for International Development (DFID) served as chair of the Executive Committee in fiscal year 2004 and convened three Excom meetings.

Investment Committee. CGAP manages a grant fund to support its activities. These activities include funding microfinance providers and networks, supporting initiatives that promote microfinance best practices, and funding innovations that expand the frontiers of the sector. Acting on behalf of the Council of Governors of member donors, the Investment Committee is the fiduciary oversight body for the fund to ensure that CGAP investments support the strategic priorities set by the CG. The Investment Committee consists of senior World Bank and IFC staff with expertise in financial sector development, banking and capital markets, rural development, social protection, and legal issues. One representative each of the Excom and the CG join the Investment Committee as observers. At each Investment Committee meeting, CGAP presents a short overview on the performance of current open commitments.

The Investment Committee met three times in fiscal year 2004 and approved 11 investments totaling approximately US $10.7 million. In November 2003, Antony Thompson and Lynne Sherburne-Benz were welcomed as new committee members. In October 2003, CGAP finalized a comprehensive review of investment performance and trends in funding for 1995–2002. This analysis (which was presented at the Annual Meeting and to the Investment Committee in November 2003) showed that a strategic shift

Executive Committee

Members	Constituency
David J.N. Stanton, Chair (UK)	Belgium, European Commission, France, Luxembourg, The Netherlands, United Kingdom
Carlos Cuevas (World Bank)	World Bank
Frank DeGiovanni (Ford)	IFAD, ILO, UNDP, UNCDF, Argidius Foundation, Ford Foundation
Nimal Fernando (AsDB)	African Development Bank, Asian Development Bank, Australia, Canada, InterAmerican Development Bank, Japan, United States
Hege Gulli (Norway)	Denmark, EBRD, Finland, Germany, Italy, Norway, Sweden, Switzerland
Fazle Hasan Abed (BRAC)	Global
Brian Branch (WOCCU)	Global
Carlos Labarthe (Compartamos)	Global
Marilou van Golstein (Triodos Bank)	Global
Elizabeth Littlefield (CGAP CEO)	*ex officio*

occurred between CGAP's initial phase (1995-98) and the second phase (1998-2003), as CGAP funding became more global, attracted more co-financing, and diversified from the original focus on direct grants to MFIs.

CGAP Operational Team. The CGAP Team is the operational arm of CGAP and implements the strategy endorsed by the Council of Governors. The Operational Team is headed by Director and Chief Executive Officer Elizabeth Littlefield, who is also a Director of the World Bank. She works closely with the senior management team to ensure that CGAP's activities are consistent with its mission and carried out both efficiently and effectively.

Internally, the operational team is organized according to CGAP's major concentrations: developing a wide range of financial and non-financial institutions serving the poor, reaching poor and unserved clients and ensuring a positive impact on their lives, improving the quality and availability of information, enhancing the policy and regulatory framework, and improving donor effectiveness. The Operational Team is based in Washington, DC, with an office in Paris, France, that focuses primarily on donor support.

"CGAP is always a reference in all microfinance forums all over the world. It really is a standard setter for the industry."

—Carlos Labarthe, Compartamos

Functional roles of staff can be found in the organizational chart and biographical information can be found in annex 2.

ANNUAL REPORT 2004

This Annual Report describes the activities of the CGAP Operational Team during fiscal year 2004 (July 1, 2003–June 30, 2004). It is divided into seven sections: improving diversity and quality of financial services, building financial transparency, enhancing policy and regulatory frameworks, improving donor effectiveness, reaching poorer clients and making an impact, training, and communications and publications. Each section outlines the key problem being addressed, the main partners involved, and the principle initiatives and activities completed in fiscal year 2004. ■

CGAP Investment Committee

Jean-François Rischard, *Chair*, Vice President for Europe, World Bank

Assaad Jabre, *Alternate Chair*, Vice President of Operations, International Finance Corporation

Elizabeth Adu, Chief Counsel, Africa Practice Group, Legal Division, World Bank

Lynn Bennett, Advisor, Social Development Department, World Bank

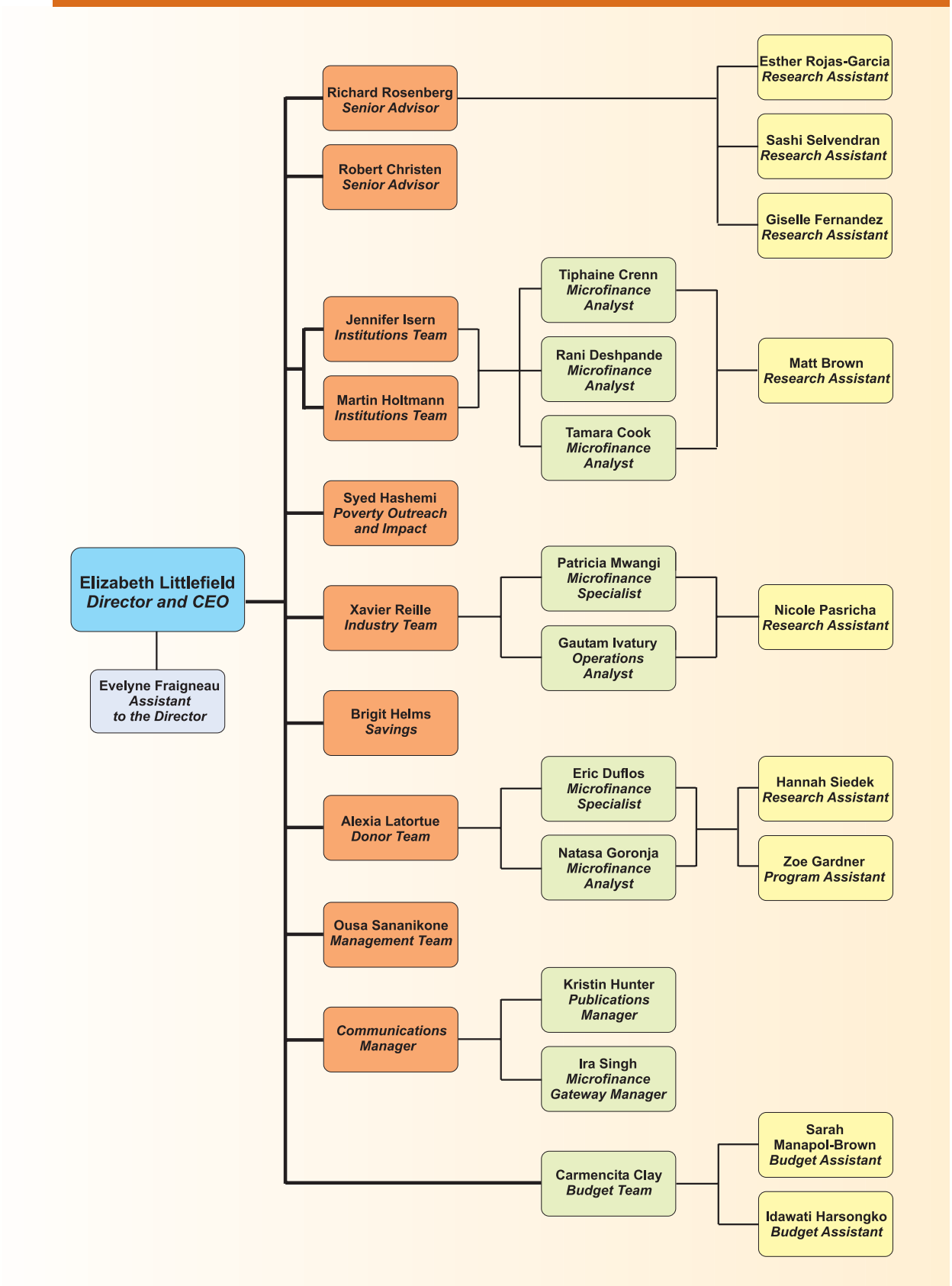
Carlos Cuevas, Lead Financial Economist, Financial Sector Department, World Bank

Claudia Morgenstern, Senior Advisor, International Finance Corporation

Lynne D. Sherburne-Benz, Country Program Coordinator, Southeast Asia and Mongolia Group, World Bank

Antony Thompson, Lead Financial Sector Specialist, Africa Financial Sector, World Bank

CGAP Organizational Chart



Women standing at teller window, India © World Bank Photo Library/ Curt Carnemark, 1993

Significantly expanding access of the poor to financial services will require a focus on the performance of the entire financial system, not just "traditional" MFIs. That is, there is a growing recognition that MFIs are one component of a financial system – only one means of delivering financial services – and that reaching scale will require engaging a wide variety of financial institutions.

—Frank F. DeGiovanni, Ford Foundation

Improving Diversity and Quality of Financial Services for the Poor

Building financial systems for the poor requires the deployment of a wide range of institutional models that deliver a diverse mix of services. Only a broad range of institutions can achieve the scale and sustainability needed to make a durable impact on poverty. There is an urgent need both to strengthen and expand effective microfinance NGOs and to develop new delivery channels for microfinance services. In fiscal year 2004, CGAP undertook several initiatives intended to take stock of the global picture of financial services for the poor, strengthen the role of commercial players in building inclusive financial systems, set the groundwork for developing new products and distribution channels, and improve the efficiency of microfinance.

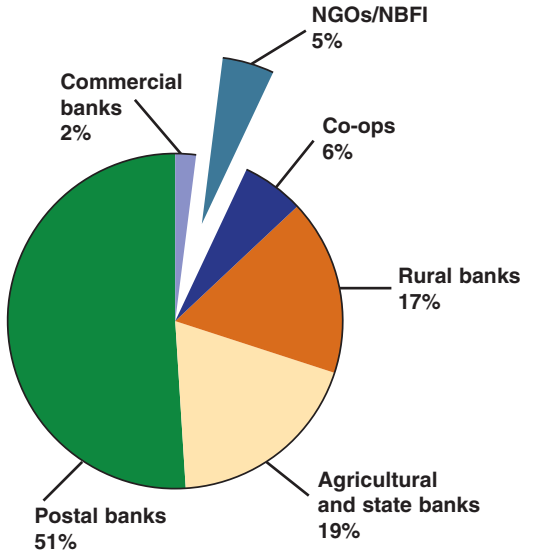
THE BIG PICTURE

As part of its strategy to strengthen and expand microfinance through a variety of delivery channels, in fiscal year 2004, CGAP sought to better understand which types of institutions currently provide financial services to the poor. At the same time, it sought to identify successful cases of such institutions operating on a mass scale. These research initiatives are intended to help the industry better understand current circumstances and likely future trends and opportunities.

Survey of Financial Institutions with a "Double Bottom Line." CGAP surveyed the client accounts of a broad set of institutions that, to varying degrees, focus on reaching clients below the economic level of traditional commercial bank clients. These institutions include state-owned agricultural, development, and postal banks; member-owned savings and loan institutions; other savings banks; low-capital local and/or rural banks; and a range of specialized microfinance institutions and programs.

The research effort identified a surprising number—well over 750 million—of savings and loan accounts held in such institutions in developing and transition countries. *However, the data needed to quantify the split between poor and non-poor clients in these institutions is almost never available, making it impossible to quantify client poverty levels.* Despite their vast outreach, these institutions probably serve only a minority of the unbanked clientele they were created to serve. In addition, many of them suffer from significant limitations, including client-unfriendly financial services, poor loan collection, continuing reliance on large subsidies, political interference, and lack of aggressive focus on poor clients. At the same time, many of these institutions may offer important opportunities, given their large infrastructure. CGAP has published these findings in *Financial Institutions with a Double Bottom Line: Implications for the Future of Microfinance* (Occasional Paper No. 8, July 2004).

Global Providers of Microfinance Services



Review of Formal Financial Institutions and MFI-Bank Linkages. To expand sustainable financial services to the poor on a significant scale, formal financial institutions must be involved. In fiscal year 2004, CGAP reviewed 227 specific formal financial institutions, ranging from institutions with established microfinance services to those with the potential to enter the microfinance market. From the 227, CGAP produced a short list of 30 institutions with promising microfinance operations. The list highlights the geographic and institutional multiplicity of potential microfinance providers and has served as a tool for networks and other institutions to engage with these formal institutions. Complementing this research, CGAP has also assessed the different institutional models that banks use to launch retail microfinance or link with MFIs, and will develop resources for commercial banks that hope to engage in microfinance.

Case Studies of Diverse Institutions Scaling Up Financial Services. CGAP worked with the World Bank Financial Sector Network to produce case studies on scaling up microfinance in preparation for the conference "Scaling Up Poverty Reduction," hosted by the World Bank in May 2004 in Shanghai, China. These case studies represented a variety of institutional models, regions, and methods for how quality financial services for the poor have been ramped up around the world.

NEW INSTITUTIONS AND DELIVERY MODELS

Marrying microfinance expertise and commercial banking know-how is critical to ensure that large-scale institutions reach hundreds of thousands of poor clients, especially in rural areas (where vast

numbers of the poor are unserved). In fiscal year 2004, CGAP identified and closely engaged with a range of formal financial institutions with the goal of expanding their services to poor customers.

Retail Innovations. Both private and public banks have a huge but vastly underutilized potential for delivering financial services to the poorer segments of the world's population. In fiscal year 2004, CGAP launched the Retail Advisory Service to provide tailor-made technical and strategic assistance to formal banks that are committed to reaching poorer retail clients. Six to ten partners will be selected to receive technical assistance packages designed by CGAP, drawing from the best available local and international technical service providers (TSPs) in such areas as product design, IT and MIS, training, and branch management. CGAP will monitor and oversee the provision of technical assistance to these partners by managing the TSP contracts. CGAP's direct work will focus at the strategic level, working with the top management and board of participating retail institutions and occasionally providing inputs on specific operational issues.

Privatizing African Banks and Developing Retail Banking for the Poor. Africa International Financial Holdings (AIFH) is a joint venture of investors seeking to acquire majority stakes in formerly state-owned banks with large branch networks in sub-Saharan Africa. CGAP has partnered with AIFH to design and oversee implementation of a wide range of financial products for low-income clients throughout these networks. Should AIFH succeed in acquiring suitable banks, this partnership may offer CGAP a rare opportunity to demonstrate that, with the right institution and management, financial services for the poor can be made available on a large-scale, commercial basis. In fiscal year 2004, CGAP participated in due diligence, pre-acquisition marketing, and analysis on banks in Nigeria, Sierra Leone, Kenya, Mali, Togo, and Zambia.

"Marrying microfinance expertise and commercial banking know-how is critical to ensure that large-scale institutions reach hundreds of thousands of poor clients, especially in rural areas . . ."

How Indian Self-Help Groups Link with Banks. CGAP's interest in financial models that can provide widespread coverage to poorer people has prompted a detailed research project on self-help groups (SHG) in India. Currently more than 16 million people in rural India receive financial services from SHGs that are linked to formal banking institutions. This number stands in contrast to the less than one million people who currently receive financial services from more conventional MFIs in India. CGAP's research, which focuses on case studies of different SHG models, seeks to gain a better understanding of the sustainability and quality of financial services being delivered by SHGs, as well as the impact and added value of financial intermediation through SHGs. Leading microfinance organizations in India, including NABARD (National Bank for Agriculture and Rural Development), are advising CGAP on this ongoing research.

NETWORKS IN MICROFINANCE

Microfinance network support organizations (NSOs) have played a critical role in developing standards, information exchange, and mutual accountability, as well as wholesaling funds and providing technical assistance to a wide range of affiliated institutions, from credit unions to MFIs to savings banks. In consultation with network leaders, CGAP developed the Network Support Organization Profile that highlights key features of NSO operations and differentiates these features by charting them along a series of spectrums. The Microfinance Information eXchange

(MIX) has posted completed network profiles and developed an interactive web-based capability that allows networks to update their profiles. Based on 33 such profiles, CGAP published Focus Note No. 26, *What is a Network? The Diversity of Networks in Microfinance Today*. CGAP also developed the *Format for Appraisal of Network Support Organizations* for gathering information and assessing the capacity and performance of network support organizations. It will be circulated for field testing and comments beginning September 2004.

Parallel to this work, CGAP collaborated with SEEP and GTZ to develop guidelines for supporting national microfinance associations as part of a donor-practitioner working group. This collaboration builds on CGAP's ongoing grant to SEEP to strengthen national networks by improving their technical assistance capacity, business strategies, and reporting on MFI members. GTZ and CGAP will circulate the guidelines for review to CG members and, via the Microfinance Gateway, to the microfinance community at large.

NEW AND INNOVATIVE FINANCIAL SERVICES

To meet the ambitious goal of ensuring access to financial services by all who need them, financial services and delivery mechanisms must be tailored to better meet the needs of the poor, while simultaneously ensuring the viability of institutions that deliver these services. The need for innovation is great and varied, ranging from developing convenient savings services for Indian factory workers and South African pensioners, to reaching farmers with sustainable agricultural financing, to facilitating the money transfers of urban workers to rural relatives. In fiscal year 2004, CGAP partnered with a number of financial and non-financial institutions to experiment with different products and delivery mechanisms. These efforts included intensive savings product initiatives in India and South Africa, as well as work on money transfers and agricultural and rural finance.

Saving Services for Factory Workers in India. CGAP staff worked with Global Alliance for Workers and Communities (GA), an NGO sup-

Women working at looms in a previously owned state workshop, now a private enterprise, Uzbekistan
© World Bank Photo Library/Anvar Ilyasov, 2002

ported by Nike and The Gap, to improve the lives of their factory workers in South and Southeast Asia. Through this partnership, CGAP aims to improve the provision of financial services to formally employed poor people who have limited access to banks and who generally use costly, high-risk, informal providers to save and borrow. As a first step, CGAP is helping two public sector banks in India (Corporation Bank and Canara Bank) tailor their recurring deposit products and operating procedures to the financial profile of the factory worker. Six factories across India have agreed to participate in the pilot phase of this project, in which workers can designate a fixed amount to be deducted from their monthly salary and deposited into a savings account.

GA has played a key role in facilitating access to factory owners, but GA recently announced that its entire organization will cease operations after December 2004. CGAP is assessing whether the savings products can be supported by the factories and banks without GA.

Government Social Grant Payment Systems in South Africa. Finmark Trust and CGAP are supporting the South African Department of Social Development (DOSD) to use existing infrastructure to enable its beneficiaries to automatically receive monthly DOSD grants into individual bank accounts. DOSD beneficiaries—old people, the families of indigent children, and the disabled—represent South Africa's poorest and most vulnerable citizens. Most do not have access to formal banking services. Two major banks working with DOSD on the project have brought on more than 50,000 new beneficiaries into the banking system by creating formal accounts for them. A third bank is developing an innovative product that combines the advantages of mobile "disbursement trucks," with a bank account, complete with a card for automatic teller machines and point-of-sale (POS) transactions.

Cell Phone Banking Services. Finmark Trust and CGAP worked with a leading cell phone operator and major bank in Southern Africa to develop a joint business plan for unbanked citizens. The joint initiative will launch a banking product designed for low-income market segments based on this business plan. The product uses cell phones, which are extremely widespread among lower-income residents of Southern Africa, to initiate, confirm, and keep records of typical banking, payment, and transfer transactions (e.g., cash-back POS mechanisms in retail shops). It is expected that outreach could exceed 250,000 clients within a year of launch and that the product could earn attractive financial returns while charging fees lower than those of the mostly inaccessible banking services now on offer to poor citizens.

"The debate about sustainability has focused primarily on setting interest rates high enough to cover costs. But the poor should not be expected to bear the burden of inefficient microfinance operations."

Money Transfers. Despite the increasing attention on remittances, the poor still lack access to affordable and reliable money transfer services. Recent increases in competition have lowered the price of money transfers and multiplied service options between Latin America and the destinations of USA and Europe. However, similar developments have not yet occurred in other transcontinental, regional, and domestic remittance markets. CGAP has undertaken a range of activities designed to enable pro-poor financial institutions to enter this market in a strategically and financially sound manner. Focusing on domestic and intraregional money transfers, CGAP hopes to develop greater access to such services at lower costs.

Agricultural and Rural Microfinance. Agricultural microfinance remains a significant challenge to financial institutions that serve the majority of the poor. Unpredictable weather conditions, macroeconomic instability, and lump-sum returns at harvest time have made it difficult to adapt conventional microfinance methodologies to the needs of this sector. CGAP conducted a global review of promising agricultural lending operations that culminated in seven case studies, which provide insight into good practice methodologies in Kyrgyzstan, Thailand, Mali, Peru, Mozambique, and Kenya.

Women and men moving and placing rocks in agricultural field, Burkina Faso © World Bank Photo Library/ Curt Carnemark, 1993

EFFICIENCY

Improving the efficiency of financial services for the poor is the next technological frontier in microfinance. To date, the debate about sustainability has focused primarily on setting interest rates high enough to cover costs. But the poor should not be expected to bear the burden of inefficient microfinance operations. In fiscal year 2004, CGAP completed an activity-based costing (ABC) tool to help institutions better understand their internal costs for specific products, and engaged in collaborative research on staff incentive schemes designed to increase productivity of staff.

Product Costing. This year, CGAP finalized its *Product Costing Tool*, the corresponding ABC software (in English, French, and Spanish), and training materials specifically designed to help MFI managers conduct a product costing exercise within their institutions. The tool has been tested by 18 MFIs with partial subsidy from CGAP, of which 12 institutions successfully completed the exercise. An online Product Costing Resource Center was launched in July (fiscal year 2005) that offers the tool, the software, and training materials, plus additional relevant information. It can be accessed at www.cgap.org/productcosting.

Staff Incentives Schemes. CGAP engaged in collaborative action research on staff incentives with *MicroSave* and the MicroFinance Network. Staff incentive schemes (SIS) play a crucial role in enhancing the productivity and efficiency of MFI operations. Given internal expertise on SIS, CGAP has provided advice on conducting field research in a number of leading MFIs. So far, 16 case studies have been completed, and a toolkit on SIS design has been published by *MicroSave*. Ongoing activities include additional case studies as well as a broad-based questionnaire. ■

Female employee of the Telephone Store in the "Ladies Corner" enterprise area, Bangladesh
© World Bank Photo Library/ Shehzad Noorani, 2002

Our first experience with CGAP was very important for our development, beginning with the appraisal and the recommendations that they made to us at that time. The contract designed, with tranches, specific targets on growth, delinquency rates, and return on equity. CGAP also put pressure on us to get our MIS in place before the second disbursement. That specific experience has been so important in the life of our institution.

—Carlos Labarthe, Compartamos

Building Financial Transparency

Transparency is essential if the microfinance industry is to reach scale. Investors, donors, and—most importantly—poor depositors will only place their funds in institutions where risk and return can be reliably assessed on the basis of standardized, comparable information. Institutions that provide financial services need clear, standardized information to help them determine where they stand in relation to their peers. MFI managers who can benchmark their performance against other MFIs are better able to improve performance.

Promoting transparency involves the development of accurate information at each stage of information gathering, from the initial production of data by the financial institutions themselves to external audits and credit ratings to supervision by regulatory authorities. Unfortunately, microfinance faces challenges at each stage. More often than not, MFI information systems are costly to develop and do not provide dependable or uniform data. At the same time, auditors, rating agencies, and supervisory authorities do not have sufficient expertise to accurately assess risk in this high-volume, small-transaction business.

CGAP supports a wide range of services aimed at increasing financial transparency, such as:

- building information infrastructure in the microfinance industry
- standardizing data that institutions use both to conduct financial analysis and to report financial performance
- building local capacity to collect, analyze, and report MFI financial information

CGAP's transparency activities in fiscal year 2004 were focused on three main services: the Microfinance Information eXchange (MIX), the Rating Fund, and the microfinance technology program.

"Transparency is essential if the microfinance industry is to reach scale. Investors, donors, and—most importantly—poor depositors will only place their funds in institutions where risk and return can be reliably assessed on the basis of standardized, comparable information."

THE MICROFINANCE INFORMATION EXCHANGE (MIX)

In June 2002, CGAP spun off the MIX Market and the *MicroBanking Bulletin* into the Microfinance Information eXchange (MIX). The new non-profit organization was set up by a partnership of CGAP, the Citigroup Foundation, the Deutsche Bank Americas Foundation, the Open Society Institute, the Rockdale Foundation, and other private foundations. As the leading source of information on MFI performance, the MIX hosts the MIX Market and publishes the *MicroBanking Bulletin*. For more information, see the web site at www.themix.org.

The MIX Market is a global, web-based information service that links microfinance institutions, donors, and investors. On the demand side, the MIX Market provides in-depth information on the performance of MFIs, including financial statements and ratings and assessment reports of external evaluators. On the supply side, the MIX Market offers information on donor and investor funding, including terms and conditions. As of June 2004, 280 microfinance institutions, 49 funders, and 76 market facilitators (including raters and networks) had posted profiles on the MIX Market web site. The site has 3,200 registered users and receives over 5,000 visits per month. Traffic to the site has quintupled over the past year.

The flagship publication of the MIX is the *MicroBanking Bulletin* (MBB), which provides a recognized benchmarking service for the microfinance industry. The MBB collects financial and portfolio information from MFIs and uses a process of data cleaning, standardization, and adjustment to compare the performance of individual MFIs to that of a peer group of institutions. The July 2003 issue of the MBB (No. 9) contained benchmarking information on 124 MFIs and introduced benchmarking indicators for savings-oriented financial institutions.

In fiscal year 2004, the MIX established nine partnership agreements with microfinance associations, networks, a central bank, and multilateral donors to decentralize MFI data collection and validation, as well as to increase the number of institutions worldwide that report to the MIX.

The MIX illustrates CGAP's strategy of incubating new initiatives that provide a public good and devolving them to other partners in the microfinance industry once a suitable business model has been developed. A fully independent organization, the MIX is currently staffed by an executive director and 10 technical staff. CGAP provides oversight and strategic support through its role on the board.

MULTI-DONOR RATING FUND

The Rating Fund is a multi-donor initiative launched by CGAP and the InterAmerican Development Bank in 2001. In 2004, the European Commission joined the intiative and the government of Luxembourg is considering joining. The Rating Fund offers partial financing for ratings and assessments of MFIs by pre-qualified rating and assessment agencies. The fund has three main objectives: (1) to build a market for rating and assessment services, (2) to improve

transparency by increasing the availability MFI performance information that has been verified by an objective third party, and (3) to improve MFI performance. For more information, see the Rating Fund web site at www.ratingfund.org or send an e-mail to: info@ratingfund.org.

By June 2004, the Rating Fund had co-financed a total of 178 ratings. All of the MFIs that received funding consented to publicly disclose their performance information, most for the first time. This increased transparency has in turn influenced funding flows to MFIs. Social investors, such as Blue Orchard and Microvest, now require ratings as part of their pre-investment due diligence and investment monitoring. Between July and December 2003, many MFIs reported that they were able to access additional funding following their rating exercise. Funding amounts ranged from US $25,000 to US $2 million. The Rating Fund has also helped coordinate and improve donor effectiveness in funding of ratings, leading to uniform eligibility criteria for MFIs and rating agencies, greater access to market information, and market efficiency improvements.

MICROFINANCE TECHNOLOGY

Information systems (IS) technologies, such as manual ledgers, computer spreadsheets, or management information system (MIS) software, help an organization deliver financial services, monitor operations, and process and analyze performance data. Through its microfinance technology program launched in fiscal year 2004, CGAP is committed to helping MFIs improve their IS, and consequently, their transparency and efficiency.

CGAP activities in fiscal year 2004 included the creation of a program to co-fund MFIs seeking expert consulting advice on technology issues, plus specific research on delivery technologies (such as point-of-sale devices and automated teller machines), which can help MFI's reach greater numbers of clients.

Children using the IT facilities at an internet café, Lebanon © World Bank Photo Library/Alan Gignoux, 2002

Information Systems Fund. Many institutions require professional expertise to help them analyze their business and technology needs, select a software package, or improve their existing information system. Building on a successful pilot in 2003 that funded five MFIs in different countries, CGAP created the IS Fund in May 2004. The fund aims to improve the capacity of MFIs to make better IS investment decisions and offers them co-financing to hire specialized IS consultants. It is expected to increase the supply of skilled local microfinance IS consultants and refer MFIs with technology investment needs to donors and investors. For more information, visit www.isfund.org or send an e-mail to: info@isfund.org.

Information Systems Services Resource Center. This web-based service offers information on IS issues to guide MFI managers in selecting software that best suits their information needs. In 2004, CGAP released 10 new software reviews on the resource center, as well as information on 14 new or updated software packages available to MFIs. These reviews are the only independent assess-

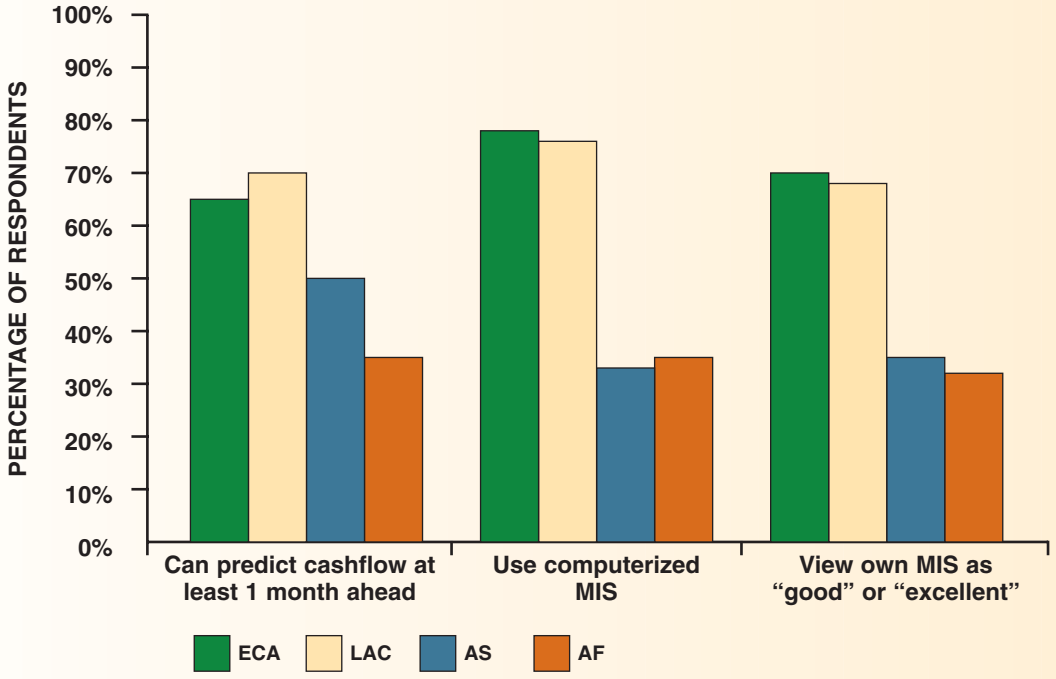
ments of IS software for microfinance and are increasingly used by MFIs and network associations to evaluate available products. For more information, visit www.cgap.org/iss_site.

IT Innovation Series. These case studies are guides to technologies that can improve the efficiency, scale, and quality of microfinance services. The series summarizes experiences of microfinance providers with six technologies: ATMs, biometrics, interactive voice response, personal digital assistants, scoring, and smart cards. The series offers guidance on whether to consider a technology, discusses costs and benefits, and offers lessons for implementation.

Delivery Technologies. In fiscal year 2004, CGAP partnered with ProFund LLC and the Africap Microfinance Investment Fund to promote two workshops on how innovative delivery technologies can expand the number of people accessing microfinance services. These regional workshops brought together industry players from Latin America and Africa to discuss the potential of technologies (including ATMs, mobile phones, and point-of-sale devices) as delivery channels for financial services. The workshops in Costa Rica and Nairobi were attended by leading microfinance institutions and banks in each region, industry experts, and technology providers such as Hewlett Packard and Diebold. ■

Information Technology Around the World

CGAP conducted an Information Technology Needs Study in 2003 that exposed the dramatic improvements that MFIs must make to develop scalable, transparent information systems. The survey revealed that only a little over half of the respondents had a computerized MIS, technology consultants had been underutilized, and many institutions reported information delays on cashflow projections, delinquency monitoring, and consolidated reporting. In particular, MFIs in Asia and Africa lagged behind those in Latin America and Eastern Europe and Central Asia (see chart). CGAP has built its work on microfinance technology around the gaps identified in this survey. For example, CGAP developed its IS Fund and IT Innovation Series to help institutions make better decisions regarding technology implementation and access appropriate resources to improve investment decisions and optimize existing systems.




Local hawallah, Kabul, Afghanistan
© CGAP/Doug Pearce, 2003

The CGAP microfinance regulatory guidelines have helped level the playing field of quality policy by providing global guidelines. They provide both a source to which local parties can go to access best practices but also a comparison against which they can measure individual consultant recommendations.

—Brian Branch, World Council of Credit Unions

Enhancing the Policy and Regulatory Framework

More and more governments are recognizing that their proper role in microfinance is not to provide financial services directly, but facilitate an environment in which the private sector (for profit *and* non-profit) can conduct retail microfinance. The most basic policy requirement for microfinance is that a government not impose interest rate caps that prevent microcredit providers from recovering their costs.

As the microfinance industry matures in a country, it cannot reach its full potential unless a licensed environment allows microfinance institutions (MFIs) to provide services beyond credit. Such an environment enables public deposits to fund MFI growth and protects those deposits via government regulation and supervision. At present, at least 50 countries are currently discussing or implementing new arrangements for regulation and supervision of microfinance.

CGAP's fiscal year 2004 activities in the policy sphere focused on the broad dissemination of consensus guidelines, developing a database on microfinance regulation and supervision, concluding research on interest rate ceilings, and providing policy consultations.

REGULATION AND SUPERVISION

Government regulation and supervision is not only complex, it can pose significant risks to microfinance. Over-regulation, for example, risks

stifling innovation and growth. Forcing financial authorities to license large numbers of small institutions that they cannot supervise adequately is an equally serious risk. CGAP works with donors and policy makers to encourage regulation and supervision of microfinance institutions that is viable, effective, and relevant to the maturity of the microfinance industry in a given country.

"Government regulation and supervision is not only complex, it can pose significant risks to microfinance."

Consensus Guidelines Dissemination. *Guiding Principles on Regulation and Supervision of Microfinance Institutions* were endorsed by CGAP member donors in 2003. In fiscal year 2004, these consensus guidelines were translated, circulated widely, and presented at international gatherings (e.g., in Basel, Budapest, Amman; at IMF central banker training; and in World Bank Institute regional videoconferences for the NIS, Southeast Asia, and East Africa), most of which were attended by central bankers and other senior policy makers. Following one such presentation—a two-day workshop at the Bank for International Settlements (BIS) on microfinance for bank supervisors—the BIS sent the consensus guidelines to their entire database of 4,000 contacts. This was a significant endorsement because the BIS is responsible for the Basel Accords and is seen as the pre-eminent source of regulation and supervision by central bankers worldwide.

Regulation and Supervision Database. CGAP is collaborating with the Center for Institutional Reform and the Informal Sector (IRIS), a research institute affiliated with the University of Maryland, to build a global database of microfinance regulation and supervision for more than 50 developing countries. IRIS has considerable experience advising governments on microfinance regulation. During fiscal year 2004, over 20 countries, including Bolivia, Brazil, India, and Uganda, were added to the internet-accessible database. The database web site will be formally launched on the Microfinance Gateway in late 2004.

RESEARCH ON INTEREST RATE CEILINGS

Interest rate ceilings are found in many countries throughout the world. As microfinance expands in developing countries, many legislators and the general public find it difficult to accept the high-

Standards on Regulation and Supervision

After an extensive process of consultation with dozens of experts, donors, microfinance practitioners, and central bankers from around the world, CGAP developed a set of guiding principles that can be fairly labeled a consensus document. Even while recognizing variations in local circumstances, *Guiding Principles on Regulation and Supervision of Microfinance Institutions* is able to identify a number of strong recommendations:

- Do not subject credit-only institutions to prudential licensing and supervision.
- Set minimum capital requirements low enough so that some strong MFIs can qualify, but high enough so that the supervising agency is not overwhelmed by more tiny institutions than it can effectively supervise.
- Before deciding on regulatory reforms, closely consider the likely effectiveness and costs of supervision.
- Donors who encourage governments to take on supervision of new types of institutions should be willing to help finance start-up costs.
- Do not expect supervision to be effective in protecting the soundness of any financial institution if the supervising entity also has a controlling interest in the institution being supervised.

er interest rates necessary to cover the costs of providing small loans to poor people. In fiscal year 2004, CGAP surveyed a wide number of countries to determine the impact of interest rate ceilings on microfinance. The research found that rather than protecting the poor, the usual intention of interest rate ceilings, the laws generally hurt poor people by making it harder for them to access financial services—ceilings make it problematic for new microfinance institutions to emerge and for existing MFIs to stay in business. To convey these research findings and advocate alternatives to interest rate ceilings, such as consumer protection laws, CGAP published Donor Brief No. 18, *The Impact of Interest Rate Ceilings on Microfinance*, and will release an Occasional Paper on interest rate ceilings in October 2004.

INTERNATIONAL AND COUNTRY-LEVEL POLICY CONSULTATIONS

CGAP selectively participates in high-level policy conferences that offer opportunities to directly influence policy change. On an ongoing basis, CGAP also engages in multilateral policy consultations with the World Bank, the IMF, and other international financial organizations, which in turn work directly with national authorities responsible for designing better policies to promote financial services for the poor.

Upon specific request, CGAP also engages in country-level consultations with policy makers about the importance of financial services for the poor based on international experience in this sector. Priority is given to policy work that concretely contributes to the establishment of appropriate enabling environments or has the potential to pre-empt the establishment of policies or programs that would undermine the development of microfinance in a particular country.

In fiscal year 2004, CGAP provided policy inputs, contributed to workshops, and reviewed drafts of microfinance legislation for a number of countries,

A street money-exchange vendor, Kabul, Afghanistan © CGAP/Doug Pearce, 2003

including Afghanistan, Armenia, Bolivia, Bosnia and Herzegovina, Brazil, Colombia, Croatia, Ecuador, Egypt, Guinea, Jordan, Kazakhstan, Kyrgyzstan, Laos, Madagascar, Mexico, Moldova, Nigeria, Russia, Serbia, Sierra Leone, Tajikistan, Turkey, Uzbekistan, Vietnam, and Zambia. CGAP also continued its longstanding collaboration with BCEAO, the West African Central Bank, and participated in a joint donor project to strengthen supervision of leading microfinance institutions in the region. ■

"Rather than protecting the poor, the usual intention of interest rate ceilings, the laws generally hurt poor people by making it harder for them to access financial services—ceilings make it problematic for new microfinance institutions to emerge and for existing MFIs to stay in business."

Woman receiving loan payment in Mahaisthan, Bangladesh
@ 2002 World Bank Photo Library/Shehzad Noorani

If microfinance is going to live up to its potential contribution to halve world poverty and achieve the Millennium Development Goals, we have to work together more effectively to build inclusive financial sectors that help people improve their lives…But until we all frankly confront the weaknesses of microfinance projects, we are not going to capture the real value of this movement for development.

—Mark Malloch Brown, UNDP

Improving Donor Effectiveness

As a multi-donor consortium, CGAP has a unique comparative advantage in working with donor agencies to improve their support of microfinance. The CGAP Operational Team, in partnership with CGAP member donors, seeks to improve the effectiveness, efficiency, and accountability of donor support to financial services for the poor by:

- advancing a vision of how access to financial services contributes to the larger development agenda, and generating widespread commitment to that vision
- fostering consensus within and among donor agencies on basic principles of good practice and how to apply them
- supporting donor management and staff to make the organizational changes necessary to apply good practice
- helping to ensure that donor agencies have staff at headquarters and in the field with appropriate technical skills, knowledge, and resources
- encouraging mutual support and cross-learning among donor agencies to leverage their respective strengths

During fiscal 2004, CGAP deepened its aid effectiveness initiative, building on the enthusiastic support of the top leadership of participating donor agencies. In addition, it stepped up work to harmonize donor guidelines and behavior and expanded the technical training and support available to donor agency staff.

AID EFFECTIVENESS INITIATIVE

Launched in 2002 with ministers and heads of agencies, the Microfinance Donor Peer Reviews addressed aid effectiveness from a unique perspective. Rather than concentrate on country-level constraints (governance, corruption, macroeconomic instability, etc.), the reviews focused on what donor agencies can most directly influence: their own procedures, practices, and systems. This ground-breaking initiative provided insights into what makes donors effective in supporting finan-

cial systems that serve the poor. Five core, though not exhaustive, elements shape an individual agency's effectiveness: (1) strategic clarity, (2) strong staff capacity, (3) accountability for results, (4) relevant knowledge management, and (5) appropriate instruments. Minimum performance in each of the five elements is critical for donor effectiveness in microfinance and, in all probability, other areas of development as well.

The hallmark Aid Effectiveness Initiative event was the high-level meeting, *Leveraging Our Comparative Advantage to Improve Aid Effectiveness*, held in February 2004. Co-hosted by Mark Malloch Brown, administrator of UNDP, and Jean-Michel Severino, chief executive officer of the French Agence française de developpement (AFD), the meeting brought together heads of agencies and management to synthesize lessons learned from the 17 donor peer reviews and discuss next steps for collective action. Participants unanimously adopted a *Joint Memorandum* that included an endorsement of the five key elements of donor effectiveness and a commitment to translate the Peer Review recommendations into tangible results for poor people via a concrete work plan. (See the box with the summary of commitments made by the donor agencies at the meetings.)

The final three Peer Reviews were completed in fiscal year 2004, and all 17 participating agencies have already taken concrete steps to improve the way they work. Specific examples of these actions include:

- **AfDB:** No new projects with credit components have been approved following the Peer Review and a subsequent microfinance resolution by the bank board of directors. Key criteria (market demand, implementation capacity, environment) are now systematically applied early in microfinance projects.

Excerpt from the Joint Memorandum from the High Level Meeting

Leveraging Our Comparative Advantage to Improve Aid Effectiveness

In recognition of the importance of improving donor effectiveness, the 17 donor agencies committed to four action steps to transform the Peer Review recommendations into tangible results for poor people.

1. **Codify good practices.** Current joint guidelines of good practice are nearly 10 years old and require updating, both to incorporate the lessons from the Peer Reviews and to make them easier to apply to operations. New guidelines should include, among other things, a code of conduct for using subsidies to work with the private sector, and guidance on the best use of different instruments available to bilateral and multilateral donor agencies.

2. **Share and leverage staff capacity and knowledge.** We should seek to leverage and build on our technical capacity and knowledge by encouraging cross-agency secondments, drawing on expertise in the private sector, investing in our national staff, delegating programs to those agencies with strong technical staff capacity (especially when that technical capacity is decentralized) where appropriate, strengthening and scaling up networks, engaging in joint training, and building and contributing to common knowledge management systems like an internet portal.

3. **Take the Peer Review process and recommendations to the field.** Building on the decentralized structure of many of our agencies, the Peer Reviews should increase the ownership, voice, and participation of our colleagues, partners, and stakeholders (government and private organizations) at the country level. Activities in selected partner countries should be undertaken to (a) obtain the feedback of field-level stakeholders beyond the donor community; and (b) test and document cases of collaboration among donors with complementary strengths.

4. **Conduct two-year follow-up.** In two years' time, we plan to reconvene to discuss which steps we are taking, individually and collectively, to implement the Peer Review recommendations. Each of our agencies should assess and track progress towards the recommendations of its Peer Review. As part of the follow up, agencies could choose to undergo a voluntary "checkup" review. These lighter reviews should explicitly incorporate benchmarking of our performance.

- **AFD:** Top management decided that microfinance projects no longer have to comply with the required average (large) size of projects, but can be smaller programs.
- **EC:** The EC has decided to stop directly providing credit support for microfinance, in order to focus on capacity building for the microfinance sector.
- **IFAD:** The agency signed an agreement with the MIX to improve project performance reporting, using the MIX Market, a web-based reporting center for MFIs and funders.
- **GTZ:** GTZ revised its Financial Sector Development operations to focus its services on rural finance, microfinance, SME finance, and pro-poor financial sector development, leaving other aspects of financial sector work (such as capital market development) to agencies better suited to work in such sectors.
- **UNDP:** UNDP conducted an in-depth portfolio review of microfinance field operations that covered 70 offices.

DONOR HARMONIZATION

Donor harmonization is a critical component of aid effectiveness because it encourages complementary donor activities, prevents duplication and competition, and streamlines processes for the recipients and implementers of donor assistance. In fiscal year 2004, CGAP promoted donor commitments to global good practices and coordination at the country level.

Donor Guidelines. Although existing donor guiding principles for microfinance, developed in 1995 (the "Pink Book"), have withstood the test of time with regard to funding retail-level microfinance institutions, the field of microfinance has since evolved significantly. In early 2004, CGAP's Executive Committee appointed a subcommittee to begin drafting new donor operational guidelines on microfinance. This process offers donors an excellent opportunity to take stock of the major strides made in global microfinance and to assess the big task ahead: extending sustainable financial services to many more of the world's poor. A draft of the updated guidelines, *Building Inclusive Financial Systems: Donor Guidelines on Good Practice Microfinance*, will be presented to the Donor Committee on Small Enterprise in September 2004, and will be presented for discussion at the annual meeting of the CG in November 2004.

Uganda Aid Effectiveness Study. The Ugandan Private Sector Donor Group (PSDG) commissioned CGAP to lead a review of the microfinance sector in Uganda. Conducted in February and March 2004, the study focused on the behavior and actions of all microfinance stakeholders (donor agencies, government bodies, and practitioner organizations) in Uganda to identify the success factors and constraints to good practice compliance and effective coordination. The final report will be submitted to the PSDG in October 2004.

Microfinance Investment and Support Facility in Afghanistan (MISFA). In 2003, CGAP pioneered a model for donor coordination in Afghanistan with the World Bank. MISFA pools funding from multiple donors into good practice financing and technical assistance to both start-

up and established microfinance providers. All funding is conditioned on clear performance targets and required harmonized reporting. MISFA has received US $23.2 million to fund its pilot phase from CGAP, CIDA, DFID, SIDA, USAID, and the World Bank. Seven young Afghan institutions have received or been approved for funding, three of which are already operating in 10 provinces.

Due to strong demand for microfinance on the ground, MISFA management expects that those MFIs that have been funded will reach the 75,000 client mark by the end of 2004, a year ahead of schedule. In May 2004, CGAP became the first donor to pledge continued funding to MISFA, contributing to the US $35–$40 million that the sector is expected to be able to absorb in 2005.

TECHNICAL SUPPORT FOR DONORS

The results of the Peer Reviews confirmed that technical staff capacity is a critical success factor in donor effectiveness in microfinance. Complementing the follow-up to the Peer Reviews, CGAP offers training and information resources tailored to donor needs through its web resource center and help desk. CGAP also responds to donor requests for technical advice and support, such as portfolio reviews, strategic planning, and technical analysis of specific operations. Given their emerging role in microfinance, CGAP is now engaging with investors who may also benefit from CGAP's resources for donors.

Donor Information Resource Centre (CGAP DIRECT). CGAP provides targeted information to staff and management of donor agencies through its online resource center and newly launched helpdesk. Materials on CGAP DIRECT fill a missing information niche—information suitable in content and packaging for donor staff who monitor microfinance among many other activities in their portfolio. The CGAP DIRECT also provides links to other resources, donor policy papers, and documents published by the microfinance industry, and access to a consultant database.

Core information products on the CGAP DIRECT (www.cgap.org/direct) include:

- **Donor Briefs:** two-page notes on key microfinance issues with practical guidance for donors
- **Presentations:** PowerPoint presentations, 15–45 minutes in length, with speaker notes that build on the Donor Brief topics
- **Training Modules:** training materials on Donor Brief topics that include trainer notes, handouts, and PowerPoint slides
- **Donor Good Practice Case Studies:** four-page cases that highlight lessons on how specific decisions and actions by donor staff contributed to successful microfinance projects

At the end of fiscal year 2004, CGAP launched a new online donor helpdesk, DIRECTConnect, to provide timely operational advice to donor staff who are not specialists in microfinance. Through the helpdesk, donor staff have access to two groups of people: the CGAP Operational Team and a network of first-rate experts in microfinance who generously volunteer their time to the service. The helpdesk complements the work of microfinance focal points within donor agencies and offers non-microfinance specialist donor staff a wider, international network. Expert networks have been completed for seven microfinance topics, including savings, rural finance, and regulation and supervision, with over 50 experts registered.

Donor Portfolio Reviews. At their request, CGAP conducted independent evaluations of the microfinance portfolios of the World Bank and the United Nations Development Programme (UNDP) in fiscal year 2004. These evaluations consisted of comprehensive desk reviews of identi-

fiable microfinance projects or components, with on-the-ground assessments of approximately seven projects from each institution. The UNDP and World Bank are determining the best way to utilize the portfolio review results to improve their overall donor programming, including the implementation of better performance indicators and monitoring. The World Bank has agreed to very substantial changes in procedures as a result of its review. The UNDP recommendations will be delivered in early fall 2004 to the administrator. Publication of the results is expected by year end.

"If the donor community can help to strengthen retail capacity (through knowledge creation and dissemination, technical tools, transparency, and benchmarking) and regulatory environments that promote, rather than hinder, the functioning of these MFIs, we have seen that the private capital will be drawn to the MFIs that show they can operate efficiently and profitably and reach large numbers of clients"

—Alvaro R. Ramirez, InterAmerican Development Bank

New CGAP/UNCDF Donor Training Course. CGAP and UNCDF/SUM developed a new course, "Financial Services for the Poor: How Donors Can Make a Difference," for non-specialist staff. Taught from the perspective of project task managers, the one-week course focuses on the role of donors in supporting financial systems that work for the poor and is based on regional/local case studies. Participants apply the techniques learned, step-by-step, to analyze, decide on, design, and monitor a microfinance investment. CGAP offered the course in Bosnia, Kenya, Italy (with a focus on rural finance), and Guatemala to 109 donor staff.

Thematic Workshops and Other Training Events. CGAP organized the first in a series of thematic workshops in April 2004 on donor reporting and portfolio monitoring. These workshops provide a forum for donor focal points and microfinance specialists to address topics of interest and exchange ideas, know-how, and possible solutions. In addition, CGAP organized several other training courses for donor staff.

In April 2004, CGAP hosted a training of-trainers course to help donor staff deliver the training modules available on the CGAP DIRECT. CGAP also offered training at conferences and meetings with donor staff. For example, CGAP presented its information resources for microfinance at the Donor Workshop on Competence Development and Staff Training in Copenhagen in June 2004, and delivered presentations on the state of microfinance at three training events organized by CEFEB, the financial training arm of AFD.

Cross-National Investment in Microfinance. CGAP published *Foreign Investment in Microfinance: Debt and Equity from Quasi-Commercial Investors* (Focus Note No. 25), which was based on a global survey of debt and equity holdings of quasi-commercial investors in microfinance. The research revealed that governments, donors, and multilateral agencies have funded nearly 90 percent of the US $1.1 billion in total microfinance investments, including quasi-commercial debt, equity, and guarantees. Although privately managed microfinance investment funds are expected to double their capital by mid-2004, the dominant source of funds for microfinance will likely remain domestic deposits and capital. CGAP discussed these findings with the Council of Microfinance Equity Funds and plans to undertake another survey to determine if sufficient demand from microfinance institutions exists for this scale of foreign investment. ■

Women concentrating on account book at women's group meeting, Pakistan © World Bank Photo Library/ Curt Carnemark, 1994

Poverty is a very complex issue and I think that each one of us working in this field sometimes feels the frustration of not being able to do enough. But personally I am also very motivated exactly by the successes of microfinance.

—Marilou van Golstein Brouwers, Triodos Bank

Reaching Poorer Clients and Making an Impact

CGAP recognizes that conventional microfinance does not automatically push to reach the poorest possible clients, hence pro-active efforts are required. Reaching very poor people requires understanding their financial needs and developing products and services that are useful to them. During fiscal year 2004, CGAP worked with partners such as international networks to develop social performance indicators for microfinance institutions. This work was part of a strategic push by CGAP and other stakeholders in microfinance to apply a "double bottom line" to MFIs in order to monitor social as well as financial performance.

SOCIAL PERFORMANCE

Social Performance Indicators for Financial Institutions. Donor agencies and national governments have committed to the Millennium Development Goals (MDGs), which seek to cut absolute poverty in half by 2015. Donors have mobilized their resources to target poverty, hunger, literacy, health, a cleaner environment, women's empowerment, and global partnerships. For many agencies, however, the link between microfinance and the MDGs is not always clear, resulting in uncertainty over the role of microfinance in their development agenda.

While microfinance alone is not a panacea for poverty, it has been proven to increase poor people's economic self-determination. In fiscal year 2004, CGAP worked with key stakeholders to develop a reporting format for MFIs. Such a report will enable institutions to track changes in economic conditions, school attendance, literacy, access to health care services, and women's empowerment among the clients of microfinance institutions. The ultimate goal of the format is to produce a set of widely used client monitoring indicators that would permit aggregation, comparison across institutions, and reporting to industry information clearinghouses.

"Studies [in Senegal, Ghana, and Peru] suggest that institutional structure poses no inherent constraint to deepening outreach . . . [which] opens up possibilities for engaging a larger set of institutional actors in the agenda for delivering financial services to increasingly poorer customer segments."

Institutional Type and Reaching the Very Poor. Conventional wisdom has long suggested that only NGO-MFIs with a poverty focus actually succeed in providing services to very poor clients. Donors with a poverty mandate have therefore often chosen to work with such institutions, rather than seek out alternative financial institutions, such as state banks or even retail institutions. In fiscal year 2004, CGAP completed studies in Senegal (with BCEAO) and Ghana (with the World Bank), and began a study in Peru (with USAID and IRIS) on whether institutional type determines the ability of a microfinance provider to reach the poorest possible clients. The studies all suggest that institutional structure poses no inherent constraint to deepening outreach. In fact, rural banks and credit unions can reach poorer clients than NGOs because of their geographic location and target client groups. The research therefore opens up possibilities for engaging a larger set of institutional actors in the agenda for delivering financial services to increasingly poorer customer segments.

PRO-POOR INNOVATION CHALLENGE

The Pro-Poor Innovation Challenge (PPIC) provides awards of US $50,000 to small, less well-known microfinance institutions that serve hard-to-reach populations using particularly innovative products or methodologies. A recent survey of past winners revealed that the recipients had grown, become more innovative, and forged more links with donors and investors.

More than 300 applications were received in late 2003 for the latest round of funding, which was co-funded with IFAD and focused on serving rural populations. The PPIC program was extended with an additional US $1 million, which will support three additional funding cycles, plus research on past winners to distill lessons about the innovation process. PPIC winners in fiscal year 2004 were:

- **Grameen Foundation USA/FINCA Uganda/UWFT/FOCCAS** (Uganda): financing for village phone operators in rural Uganda
- **FONKOZE** (Haiti): marketing campaign to increase the volume of money transfers
- **PARWAZ** (Afghanistan): expanding microfinance into rural Afghanistan
- **Resource Integration Center** (Bangladesh): financial services for the elderly
- **Microfinance Program, Barakot** (Uzbekistan): development of a holistic framework to study vulnerability and poverty as the foundation for developing financial products for the rural poor ■

Emerging Results of the Pro-Poor Innovation Challenge

CGAP launched the Pro-Poor Innovation Challenge (PPIC) in 2001 for small, less well-known institutions serving hard-to-reach populations through particularly innovative products or methodologies to recognize their efforts with a small grant and to bring them to the attention of other donors for potential funding. A recent survey of PPIC winners and periodic reports from the recipients shows three key results emerging from this award.

Scaling up: PPIC grants have provided a considerable boost to many of the winners, enabling them to rapidly take their innovations to scale. They average 258 percent growth in clients and 236 percent increase in assets over 3 years.

Enabling innovation: PPIC-funded organizations have tested and proven new ways of deepening and expanding outreach including new products, efficiency-building technologies, and innovative approaches to reaching marginalized populations.

Leveraging donor interest: The PPIC award functions as a "Good Housekeeping Seal of Approval" that serves to generate additional donor interest in grantees. Almost 77 percent reported that the PPIC award had either influenced or strongly influenced the funding decisions of other donors.

These examples provide a taste of the individual experiences of three winners of the Pro Poor Innovation Challenge.

SKS: Leveraging the PPIC Award

SKS, which targets poor rural women in south India, was one of the first PPIC winners in 2001. Virtually unknown when it received the CGAP grant, SKS had less than 1000 clients at the time of the award and has scaled up to over 22,000 today. It is on track to reach 300,000 clients in four more years.

Asked what effect receiving the PPIC had on the organization, aside from growth, an SKS representative remarked that "the PPIC grant was crucial for the project [which] involved smart card technology… Subsequent additional funding was provided by Grameen Foundation and Digital Partners, based on the fact that CGAP was the primary funder. The award also brought SKS significant international attention, which resulted in increased visibility among traditionally non-MFI funders and in-kind technical support." In terms of impacts on the organization as a whole, SKS noted, "at the time of the award, SKS was a young organization. This award helped boost staff morale…[and] helped attract talented volunteers and staff to SKS. SKS gained recognition as an innovator in the industry."

LEAP: Where There Are No Donors

Because of the PPIC program's relatively high risk tolerance and flexibility, it sometimes represents the only source of funding available to good organizations in almost impossible circumstances. LEAP, a Liberian World-Relief affiliate, is one such example of a high-quality organization unable to access donor funding due to political circumstances in the country. According to World Relief staff, "CGAP's Pro-Poor Award to LEAP helped keep the organization operational during a time when donor support to Liberia was minimal to non-existent." Despite these conditions, LEAP managed to increase its client and asset bases by 70 percent and 27 percent, respectively, since the time of the award. In May 2003, more fighting forced it to suspend operations, but World Relief staff feels that "LEAP's success and survival during similar unrest in 1996 positions [it] well to receive donor funds…now that the country is moving toward peace. Donors [will be looking] for reliable, efficient, and proven programs to support. CGAP's Pro-Poor Award has helped keep LEAP alive and provided a level of credibility to the outside world which can be leveraged to gain more funds."

WAGES: Taking a Risk on the Poorest

The PPIC is designed as a type of venture funding for MFIs, enabling them to prove new programs that other donors might find too risky and to scale up the ones that work, even in countries where few donors operate. Togolese NGO WAGES used its PPIC award to expand a program that eliminated the need for saving prior to receiving a loan, for clients in one of the poorest areas of Togo (many of whom were newly resettled refugees). Since receiving the PPIC grant, the number of clients in this program has increased over 11 times. At the same time, the organization's assets have only doubled, indicated significant downscaling. Many clients have also been able to graduate up into WAGES' mainstream credit product, which requires a compensatory savings balance but enables clients to access larger loans.

Members of a women's group, Kenya
© World Bank Photo Library/
Curt Carnemark

New entrants in the field now know that they can turn to CGAP for guidelines and tools to carry out their work. The existence of the CGAP Donor Briefs, the Microfinance Gateway, and policy guidelines, easily accessible via the web, provide a capacity upgrading resource for donors, while the Boulder Microfinance Institute is widely used by many donors [and MFIs] to provide training to their staff.

—Brian Branch, World Council of Credit Unions

Training

The rapid growth and constant evolution of microfinance is generating an equally dynamic body of knowledge. Training is essential for MFI managers, donor staff, policy makers, and service providers, both to update professional skills and keep track of the policy, technical, and operational issues facing the microfinance sector. In addition to training donor staff and policy makers, described in previous sections, CGAP is committed to building local markets that will provide training for microfinance practitioners. To build such markets, CGAP has forged partnerships with training centers and universities in nearly 50 countries around the world.

"Skills for Microfinance Managers" Courses

CGAP's global program for microfinance managers develops local capacity by providing training of trainers courses, plus course materials and guidance to regional and national training partners (which include networks and large MFIs with training departments). To date, CGAP has developed seven "Skills for Microfinance Managers" courses on best practices in financial and operational management for MFIs. These courses address interest rate setting and delinquency management, financial analysis, accounting for MFIs, operational risk management, business planning, information systems, and new product development. The courses are available in 12 languages: Chinese, English, French, Portuguese, Russian, and Serbo-Croatian; and new this year, Arabic, Bahasa Indonesia, Nepali, Spanish, Telugu, and Vietnamese. As of June 2004, CGAP courses have been offered more than 400 times to nearly 8,500 people in 48 countries. More than 40 local training partners in Africa, Asia, and Eastern Europe teach the seven courses in their respective regions.

In fiscal year 2004, CGAP organized training of trainers (ToT) courses with local partners in

Nepal, Vietnam, Indonesia, Pakistan, India, Latin America, and the Middle East and North Africa, through its global ToT program. The trainers courses help prepare the partners to deliver the courses on their own. CGAP also maintained broader relationships with training partners in China and Francophone Africa.

- **China Microfinance Training Centre:** CGAP provided technical and financial support for the China Microfinance and Training Centre. Based on a joint evaluation conducted with the Ford Foundation in fiscal year 2004, this training center will be merged with a new Citigroup training initiative in China.
- **CAPAF:** CGAP maintained its strong regional presence in Francophone Africa through CAPAF, a regional training and technical assistance hub co-funded by the French Ministry of Foreign Affairs (MAE) that supports local partners in 15 countries throughout Francophone Africa and Haiti. In June 2004, a second phase of CAPAF operations (2004–2008) was approved with funding from CGAP and USAID and a pledge from MAE.

MICROFINANCE MANAGEMENT

Building financial systems for the poor in developing countries requires a large pool of motivated, socially oriented managers in commercial banks, ministries, central banks, and local audit firms. CGAP and the Open Society Institute (OSI) formally launched the Microfinance Management Institute (MFMI) in July 2003 to advance management capacity in the microfinance industry, by developing microfinance courses specifically for MBA programs, to capture the growing interest in microfinance among MBA and graduate management students worldwide.

Under the hallmark of the "Microfinance in MBA Programs" project, the MFMI signed agreements in March 2004 with six leading management schools: the University of Pretoria in South Africa, the Asian Institute of Management in the Philippines, INCAE in Costa Rica, and in India, the Institute of Rural Management Anand, and the Indian Institutes of Management in Ahmedabad and Bangalore. Each school will offer at least one elective in microfinance management and some will offer specializations in the field. All six schools have begun research and teaching in microfinance management. Several programs will eventually create regional centers for microfinance. Work is also underway to support professors from other countries and regions to develop microfinance course materials for use by any university, plus a wide array of case studies on microfinance. For more information, visit www.themfmi.org.

"Training is essential for MFI managers, donor staff, policymakers, and service providers, both to update professional skills and keep track of the policy, technical, and operational issues facing the microfinance sector."

OTHER TRAINING

The Microfinance Training Program at Boulder, held every summer at Naropa University in Boulder, Colorado, is celebrating its tenth anniversary in 2004. CGAP staff teach at this highly acclaimed training program, which focuses on design, policy, and management issues faced by donors and microfinance practitioners. More than 160 students from 60 countries registered for the three-week course in July and August 2004. CGAP offers some scholarships to its members donors for their staff and microfinance partners to attend the program. ■

Women at meeting on finances and management, Bolivia
© World Bank Photo Library

We have seen an enormous development in the microfinance industry….CGAP's role has been a major one. Through instruments like the MIX, the publications, presence, leadership in international fora, as catalyst of different initiatives, CGAP has helped build this industry.

—Marilou van Golstein Brouwers, Triodos

Communications and Publications

Sharing information and knowledge about microfinance is one of CGAP's banner services. CGAP acts as a resource and information center for the microfinance industry, as well as the formal financial sector, producing publications that increase awareness and understanding of critical issues affecting the growth of microfinance. It makes a concerted effort to disseminate these publications on the widest scale possible, using a variety of distribution channels to reach its different clients, including mailings, distribution through regional partners and national networks, and electronic postings on the CGAP web site and the Microfinance Gateway.

THE CGAP WEB SITE AND THE MICROFINANCE GATEWAY

CGAP's corporate web site, www.cgap.org, provides a comprehensive overview of its mission, history, strategic priorities, activities, and products. The site features electronic copies of all CGAP publications (many in multiple languages), together with detailed information on such topics as microfinance "basics," microfinance regulation in specific countries (including relevant national laws), poverty outreach, and CGAP donor and practitioner training courses worldwide.

The Microfinance Gateway (www.microfinance-gateway.org) is a public forum for the entire microfinance industry. The Gateway today ranks as the number one microfinance site on the Google search engine. The number of unique Gateway users increased dramatically in 2004, averaging 12,000 visitors per month.

The Gateway functions as an information platform for the industry as a whole, serving a diverse

array of actors that includes microfinance practitioners, donors, investors, networks, academics, consultants, government officials, and private service providers. As such, the Gateway strives to present different perspectives and viewpoints. A wide range of stakeholders contribute thought pieces, post publications, publicize conferences and training courses, announce job openings, and debate current issues.

In fiscal year 2004, an average of two highlights (short presentations on current topics, such as housing microfinance and electronic banking) were published every month. The process of news sourcing on the Gateway was systematized over the past year to include news from an expanded list of web sites and data sources. New procedures for re-indexing documents in the Gateway electronic library were also established and are currently being implemented. And many new documents were added to the library, which now contains 3,400 online documents on all aspects of microfinance, together with reviews and summaries of articles, books, and technical handbooks and tools.

French and Arabic Gateways. In keeping with the Microfinance Gateway's goal of reaching out to non-English-speaking populations, CGAP laid plans for a French-language Gateway in fiscal year 2004. The architecture for the new site was built and two partners with significant experience in the microfinance sector—ADA, a nonprofit based in Belgium, and GRET, a nonprofit based in Paris—were engaged to work on the site. The two organizations were trained in all back-end procedures of the Gateway in preparation for uploading French-lanaguage information to the site. The launch date for the new Gateway site is set for January 2005.

The Microfinance Gateway team also began to develop a portal in Arabic in fiscal year 2004, which is targeted at microfinance professionals and policymakers in the Middle East and North Africa. The team is in discussion with the SANABEL network, headquartered in Jordan, to translate documents and hire staff to upload content to the site.

Resource Centers. The Gateway houses a number of resource centers devoted to specific microfinance topics: impact assessment, micro-insurance, information systems, audits, client targeting, and donor support. In fiscal year 2004, design specifications were developed for two additional resource centers (planned for 2005) on information systems and regulation and supervision, respectively.

CGAP PUBLICATIONS

To support the dynamic environment of contemporary microfinance, CGAP produces a variety of publications that document new research, best practices, innovative ideas in microfinance, and technical skills training. CGAP publications are intended for diverse audiences, from MFI managers to microfinance consultants to policymakers.

Five series form the core of CGAP publications: Focus Notes, Occasional Papers, Microfinance Consensus Guidelines, Donor Briefs, and

Technical Tools. CGAP will also publish case studies, results of surveys and pilot tests, analyses of Donor Peer Reviews and the Aid Effectiveness Initiative, regional reviews, information technology innovations, software reviews, and information notes on microfinance and rural finance (co-published with the World Bank) as CGAP Notes, which will be substantive but shorter publications (and, occasionally, collections of such publications). Another series, CGAP Briefs—two-page synopses of the main points and recommendations of longer CGAP publications—will debut in fiscal year 2005.

All CGAP publications can be downloaded directly from the CGAP web site, and almost all are available in print. A new program is underway to translate new publications, as well as the most relevant publications in the CGAP library, into five languages: French, Spanish, Russian, Arabic, and Chinese. ■

NEW PUBLICATIONS

Occasional Papers

- **No. 8:** *Financial Institutions with a "Double Bottom Line:" Implications for the Future of Microfinance*

Focus Notes

- **No. 26:** *What is a Network? The Diversity of Networks in Microfinance Today*
- **No. 25:** *Foreign Investment in Microfinance: Debt and Equity from Quasi-Commercial Investors*

Microfinance Consensus Guidelines

- **Definitions of Selected Financial Terms, Ratios, and Adjustments for Microfinance**
- **Guiding Principles on Regulation and Supervision of Microfinance**

Technical Tools

- **No. 6:** *Microfinance Product Costing Tool*
- **No. 5:** *Microfinance Poverty Assessment Tool*

Donor Briefs

- **No. 19:** *The Role of Governments in Microfinance*
- **No. 18:** *The Impact of Interest Rate Ceilings on Microfinance*
- **No. 17:** *How Donors Can Help Build Pro-Poor Financial Systems*
- **No. 16:** *Microinsurance: A Risk Management Strategy*
- **No. 15:** *Financial Services for the Poor*
- **No. 14:** *Microfinance and HIV/AIDS*
- **No. 13:** *The Impact of Microfinance*

Other Publications

- **Key Principles of Microfinance**
- **Scaling Up Poverty Reduction: Case Studies in Microfinance**
- **IT Innovations**
  - *"Automated Teller Machines"*
  - *"Biometrics"*
  - *"Credit Scoring"*
  - *"Interactive Voice Response"*

Father encouraging son to register land, Tajikistan
@ IFC Photo Library/Paolo Spagnoletto

- *"Personal Digital Assistants"*
- *"Smart Card Technology"*

- **Information Technology Software Reviews**

- **Microfinance and Rural Finance Information Notes** (in collaboration with the World Bank Financial Sector and Agriculture and Rural Development)
  - **No. 3:** *Rural Financial Services through State Banks*
  - **No. 2:** *Microfinance Institutions Moving into Financing for Agriculture*
  - **No. 1:** *Microfinance and Social Funds: Guidelines for Microfinance in Poverty-Focused, Multi-sectoral Projects*

- **Donor Good Practice Case Studies**
  - **No. 14:** *Capacity Leads, Capital Follows: Donors and Investors Match Instruments to ACLEDA 's Stage of Development*
  - **No. 13:** *Collaboration for Post-Conflict Rebuilding and Financial System Development: European Donors with KfW Leadership in Southeastern Europe*
  - **No. 12:** *Linking MFIs to Commercial Financing in Latin America: Inter-American Development Bank Support of ProFund*
  - **No. 11:** *Vision and Consistency: USAID Support of Al Amana and the Law on Microfinance in Morocco*
  - **No. 10:** *Nurturing Microfinance in a Challenging Environment: The Ford Foundation In China*
  - **No. 9:** *Donor Innovation in Financial System Development: DFID's Design of FinMark Trust in South Africa*
  - **No. 8:** *Donors as Silent Partners in MFI Product Development: MicroSave-Africa and the Equity Building Society in Kenya*

- **Aid Effectiveness Initiative: Donor Peer Reviews**
  - *"Elements of Donor Effectiveness in Microfinance: Policy Implications"*
  - *"Update on Donor Actions Taken"*
  - *"Letters to Management: Findings and Recommendations"*
  - *"Global Results: Analysis and Lessons*

- **"Pro-Poor Innovation Challenge"**

- **"Determining the Outreach of Senegalese MFIs"**

Core CGAP Publications

Focus Note
Overviews of current topics and trends in microfinance, intended for the broadest possible range of professionals working in microfinance.

Occasional Papers
In-depth, analytical treatments of microfinance topics.

Microfinance Consensus Guidelines
Documents developed in cooperation with other microfinance organizations to establish agreed standards in microfinance. Guidelines are published in final form only after consensus has been reached among industry stakeholders.

Donor Briefs
Two-page publications that summarize major issues relevant to donors with a list of concrete recommendations.

Technical Tools
Handbooks intended to provide practitioners and donors with specific technical skills in microfinance. Their objective is to improve MFI and donor capacity while sparing individual organizations the expense and burden of developing such technical aids. CGAP pilot tests the tools for one to two years before they are published in final form.

Women in local office of the "People's Bank" with primitive abacus and modern calculator, Uzbekistan © 2002 World Bank Photo Library/ Anatoliy Rakhimbayev

[Regarding] the capital needed to meet expected demand for microfinance. . . lending funds is not the key constraint. It is more difficult to find good "investment opportunities" than to mobilize resources from investors. Retail capacity, institution building, and regulatory capacity are key constraints.

—Marilou van Golstein Brouwers, Triodos Bank

CGAP Financial Statements

YEAR ENDING JUNE 30, 2004 (Unaudited)

CGAP is a trust-funded joint venture of its 28 member donors. It is housed in the World Bank and has no independent legal status of its own. The World Bank, on behalf of other member donors, has legal, financial, and administrative oversight of CGAP. In accordance with its mandate, CGAP's grants, projects and most of its activities span more than one fiscal year. CGAP follows the World Bank's fiscal year, which ends on June 30.

Last year, CGAP changed its format to accrual-based commitment accounting. This format gives the reader a fuller understanding of CGAP's financial position by showing the funds approved for commitments separately from funds available for ongoing operations and future commitments. These financial statements are a Statement of Revenues and Expenses, a Balance Sheet, a Statement of Cash Flows, and accompanying notes to the financial statements. They are unaudited.

KEY HIGHLIGHTS

- **Donor Contributions.** Donor contributions and pledges for 2004 showed a small decline at $12.5 million compared to fiscal year 2003 ($13 million). The World Bank continued to scale

down its contribution by $400,000 per year, and five donors did not carry over their funding from fiscal year 2003. However, eight donors (Australia, Belgium, Canada, Ford Foundation, Finland, Germany, Italy, and Luxembourg) have increased their contributions this year and Norway made a five-year funding commitment. CGAP also started negotiations with the European Commission for its five-year contribution to the operating budget.

- **Grant Commitments.** In fiscal year 2004, CGAP invested in initiatives where there was great demand, where it had a comparative advantage, and where it would make a significant impact to the financial industry. In 2004, CGAP committed $13.7 million in new grants and initiatives (see annex 3). For these activities alone, CGAP generated donor cofinancing in the amount of US $7.9 million (in addition to the $6 million leveraged in fiscal year 2004 from Phase 1 of Microfinance Framework for Afghanistan and an expected $35 million in Phase 2). Following the recommendations of external evaluators in 2002, CGAP continued to scale down its direct grants to microfinance institutions and shift its focus towards initiatives and consortium grants. There were no new direct grants to microfinance institutions in fiscal year 2004.

- **Operating Expenses.** While CGAP's grants and initiatives increased, operating expenses in fiscal year 2004 were down by US $300,000 to US $5.2 million.

CGAP's financial position is fair. At the end of fiscal year 2004, CGAP's operating reserves stood at a prudent sum of $9.6 million, down by $7.3 million from fiscal year 2003. These reserves are meant to fund ongoing CGAP activities and operations, to cushion the effect of delays in donor contributions, and to allow an orderly wind-down of CGAP activities for 6–12 months if and when member donors decide to discontinue CGAP's operations in its present form.

Financial Statements (Unaudited)

Fiscal Years Ending June 30, 2004, and June 30, 2003

STATEMENT OF REVENUES AND EXPENSES	NOTES	ACTUAL JULY 2003-JUNE 2004	ACTUAL JULY 2002-JUNE 2003
REVENUES			
Core Contributions	1	11,766,435	12,451,513
Contributions from Donors - Designated	1	825,000	589,548
Net Interest Income	2	47,010	536,257
Total Revenues (A)		**12,638,445**	**13,577,318**
EXPENSES			
Grants/Initiatives Committed	3	13,665,160	10,019,842
Staff Salaries and Benefits	4	2,490,995	2,615,903
Office and Occupancy Costs	4	1,233,097	884,395
Service Providers	4	49,060	54,892
Travel	4	153,572	68,276
Publications, Translations and Websites	4	1,891,080	1,396,560
CG and ExCom meetings	4	142,688	207,599
Total Expenses (B)		**19,625,652**	**15,247,467**
Excess of Revenues over Expenses for the year (A)-(B)		**(6,987,207)**	**(1,670,149)**
Operating Reserves at beginning of the fiscal year		16,593,343	18,263,492
Operating Reserves at the end of the fiscal year	**5**	**9,606,136**	**16,593,343**

Accounting Policies

These (unaudited) financial statements are prepared in accordance with the accounting policies and conventions set out below which closely accord with generally accepted standards of accounting.

These (unaudited) financial statements are prepared on a historical cost convention, and are denominated in United States dollars.

These (unaudited) financial statements have been prepared on the accrual basis (except for investment income which is recorded when received, and payments to consultants which are recorded when they are paid).

CGAP's grants and initiatives are expensed in the fiscal year they are committed, and the committed funds are set aside for disbursement in that fiscal year and/or in later fiscal years depending on the life of the grant or activity.

The statement of Cash Flows presents a summary of how CGAP's cash funds are being used exclusively for operating expenses. The cash flow includes the disbursements of approved CGAP grants and activities from both current and previous fiscal years, as well as operating expenses (see notes 1, 3, and 4 below).

Financial Statement Notes

1. *Revenues*
   Donor contributions (including pledges that have not yet been received but are being processed by the donor) and net interest income comprise CGAP's revenues. Donor contributions are classified as unrestricted (core), or as limited to a specific purpose (designated). Amounts of donor contributions to CGAP's core funds can also be found in Table 1, CGAP Member Donor Commitments, Fiscal Years 2003–2005.

   In the Statement of Revenues and Expenses, donor contributions include only those amounts that were allocated for fiscal years 2003 and 2004. The Statement of Cash Flows/Inflows/Donor Contributions Received, on the other hand, shows all donor cash contributions received regardless of the fiscal year to which they relate.

   In the event that CGAP is discontinued, any funds remaining after outstanding commitments are fulfilled will be returned to the donors on a pro-rata basis, based on the cumulative amounts paid-in by each donor.

2. *Net Interest Income*
   Net interest income comprises interest received in the fiscal year on cash balances held, less trust-fund administration fees levied by the World Bank. Net interest income in fiscal year 2004 is significantly less than 2003 because of lower interest yields during the period, the increase in trust fund administration fees from 2 percent to 5 percent, and the correction of a prior-year posting error by World Bank Trust Fund accounting staff (which reduced net interest income by a further $169,300).

3. *Grants and Initiatives*
   This expense category relates to CGAP's work programs via grants to microfinance institutions, and MFI networks, as well as initiatives, like technical assistance grants for IS development, capacity building through training, and other projects that are managed by CGAP staff. Project related commitments for consultants and travel come out of this category.

Financial Statements (Unaudited)

Fiscal Years Ending June 30, 2004, and June 30, 2003

BALANCE SHEET	NOTES	ACTUAL JULY 2003-JUNE 2004	ACTUAL JULY 2002-JUNE 2003
ASSETS			
Bank Balances on Hand	6	8,238,678	15,666,712
Bank Balances relating to Undisbursed Grants/Initiatives, and Publications, Translations and Websites	6	25,211,550	18,063,934
Donor Contributions Receivable	7	2,044,058	1,941,531
Total Assets		**35,494,286**	**35,672,177**
LIABILITIES			
Undisbursed portion of Grants/Initiatives and Publications, Translations and Websites	8	25,211,550	18,063,934
Contributions Received in Advance	8	676,600	1,014,900
Total Liabilities		**25,888,150**	**19,078,834**
OPERATING RESERVES	**5**	**9,606,136**	**16,593,343**
Total Liabilities and Net Assets		**35,494,286**	**35,672,177**

Approved commitments that are not fully disbursed when they are closed are returned to the original trust fund where the commitments were derived. Commitment amounts are therefore reported net of returns. Annex 3, section I, sets out the details of new commitments for grants and initiatives, additions and reductions to commitments. Section II details commitments for publications, translations, and websites.

4. *Operating Expenses*

Operating expenses include staff salaries, benefits and overhead, local/international trainers and consultants (non-program), travel (non-program), publications, translations and websites, as well as travel and other expenses associated with the Consultative Group (CG) and Executive Committee (ExCom) meetings.

Details of Operating Expenses are shown in the Statement of Cash Flows, as follows:

- *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
- *Service Providers* include costs that are not related to grants and initiatives (i.e. in-house consultants, research assistants providing general office support)
- *Travel* includes airfare, subsistence, and hotel costs incurred by staff and consultants that are not related to grants and initiatives (i.e. liaison with external organizations, external training, recruitment travel, etc.)
- *Publications, Translations, and Websites* include publishing, printing, translating, editing, website expenses, costs of publications manager and communications officer, Associates Program with MFC and Microfinance Gateway costs.
- *CG and Excom Meetings* include travel, facilities, food services, and other expenses connected with the CG and ExCom meetings.

Financial Statements (Unaudited)

Fiscal Years Ending June 30, 2004, and June 30, 2003

STATEMENT OF CASH FLOWS	NOTES	ACTUAL JULY 2003-JUNE 2004	ACTUAL JULY 2002-JUNE 2003
INFLOWS			
Donor Contributions received	1	12,339,525	11,055,918
Net Interest Income	2	47,010	536,257
Total Inflows		**12,386,535**	**11,592,175**
OUTFLOWS			
Cash spent against previous year commitments	**3**	**5,797,339**	**6,114,382**
Grant Disbursements		4,768,607	5,541,270
Local/Intl Trainers and Consultants (grants/initiatives)		652,381	454,557
Travel (related to grants/initiatives)		376,351	118,555
Cash spent against current year commitments	**3**	**1,707,294**	**2,564,319**
Grant Disbursements		623,362	1,529,930
Local/Intl. Trainers and Consultants (grants/initiatives)		689,746	536,260
Travel (related to grants/initiatives)		394,186	498,129
OPERATING EXPENSES	4	**5,162,321**	**4,503,860**
Staff Salaries and Benefits		2,490,995	2,615,903
Office and Occupancy Costs		1,233,097	884,395
Service Providers		49,060	54,892
Travel		153,572	68,276
Publications, Translations and Websites		1,092,909	672,795
CG and ExCom meetings		142,688	207,599
Net increase/(decrease) in undisbursed grants/initiatives, publications, translations and websites		**7,147,616**	**997,029**
Total Outflows		**19,814,570**	**14,179,590**
NET INCREASE (DECREASE) IN CASH		**(7,428,035)**	**(2,587,416)**
Bank balances on hand at beginning of fiscal year		15,666,712	18,254,128
Bank balances on hand at end of fiscal year	**6**	**8,238,678**	**15,666,712**

4. *Operating Reserves*
   Reserves are funds available for ongoing operations and future commitments. Given that CGAP is not a self-standing, permanent entity, an operating reserve is maintained. These reserves smooth the planning and execution of ongoing CGAP operations and grant activities and cushion the effect of delays in donor contributions.

5. *Bank Balances*
   Bank balances on hand represent CGAP's available cash balances. In fiscal year 2004, this amount was $8,238,678. Bank balances representing approved commitments that are in the process of being disbursed and hence not available for new commitments were $25,211,550 in fiscal year 2004.

7. *Donor Contributions Receivable*
   Donor Contributions Receivable relates to amounts pledged by donors during a fiscal year but not yet received by the end of that fiscal year. For fiscal year 2004, it relates to contributions not yet received from AfDB, AsDB, Japan, Germany, the Netherlands and Norway. For fiscal year 2003, it relates to contributions receivable from AsDB and Japan. Contributions Received in Advance are contributions intended by donors to be used for future fiscal years. Australia's contribution for 2005-2006 in the amount of $676,600 was received in advance.

8. *Liabilities*
   The undisbursed portion of Grants/ Initiatives, Publications, Translations and Websites represents funding commitments approved but where disbursements are in progress and are to be made or continued beyond the current fiscal year (Annex 4, Sections I and II). ■

CGAP Member Donor Budget Commitments, Fiscal Years 2003-2005 (*in US $*)[1]

	FY2003	FY2004[2]	FY2005[3]
World Bank	6,725,000	6,325,000	5,525,000
African Development Bank		*100,000*	
Australia		338,300	338,300
Argidius Foundation	100,000	100,000	*100,000*
Asian Development Bank	*250,000*		
Belgium	295,464	377,845	
Canada	318,188	369,058	*369,058*
Denmark	423,986	423,986	
European Commission			*1,216,000*
Ford Foundation	200,000	200,000	*200,000*
Finland	250,579	293,328	
France	189,630		
Germany	241,780	*284,150*	*304,000*
IFAD	300,000		
Italy		635,100	*620,500*
Japan	*300,000*	*300,000*	
Luxembourg		409,780	*426,008*[4]
Netherlands	401,277	*400,000*	*400,000*
Norway	401,983	*409,908*	*409,908*
Sweden	380,928		
Switzerland	399,973	399,980	*399,980*
United Kingdom	399,972	400,000	
United States	800,000		
Total	**12,378,760**	**11,766,435**	**10,308,754**

[1] Includes contributions and pledges to CGAP's core budget in the year they were allocated. The following CG members are not included in the table because they have not committed funds between FY2003-FY2005: EBRD, IADB, ILO, UNCDF, UNDP
[2] Does not include designated contributions totalling $825,000 from IFAD and Ford Foundation. Designated contributions are limited to a specific purpose.
[3] Does not include designated contributions and pledges totalling $1,371,936 from Argidius Foundation and EC.
[4] Part of Luxembourg's contribution to the core fund (EUR 200,000) already received from Ministry of Finance.

Italicized amounts - not yet received

Annex 1
CGAP Member Donors

BILATERAL MEMBER DONORS

Australia
Australian Agency for
International Development
(AusAID)
GPO Box 887
Canberra ACT 2601
Australia
www.ausaid.gov.au
infoqusaid@ausaid.gov.au

Belgium
Directorate General for
Development Cooperation
Rue de Bréderode 6
1000 Brussels
Belgium
http://europa.eu.int/comm/dgs/
development

Canada
Canadian International
Development Agency (CIDA)
200 Promenade du Portage
Hull, Québec
Canada K1A OG4
www.acdi-cida.gc.ca
info@acdi-cida.gc.ca

Denmark
Royal Danish Ministry of
Foreign Affairs
2 Asiatisk Plads
DK-1441 Copenhagen K
Denmark
www.um.dk
um@um.dk

Finland
Ministry of Foreign Affairs
P.O. Box 176
(Katajanokanlaituri 3)
00161 Helsinki
Finland
http://formin.finland.fi/english
kirjaamo.um@formin.fi

France
Agence française de développement (AFD)
5, rue Roland Barthes
75598 Paris Cedex 12
France
www.afd.fr
site@afd.fr

Ministry of Foreign Affairs
Direction générale de la
coopération internationale et du
développement
20, rue Monsieur
75700 Paris 07 SP
France
www.france.diplomatic.fr/mae

Germany
Kreditanstalt für Wiederaufbau
(KfW)
Financial Sector Competency
Center
Palmengartenstr. 5-9
60325 Frankfurt am Main
Germany
www.kfw.de
kfw.vsb@kfw.de

Federal Ministry for Economic
Cooperation and Development
(BMZ)
Dept. 410
Friedrich-Ebert-Allee 40
53113 Bonn
Germany
www.bmz.de

Die Deutsche Gesellschaft für
Technische Zusammenarbeit
(GTZ)
Financial Systems Development
Postfach 5180
Dag Hammersjold Weg 1-5
65726 Eschborn
Germany
www.gtz.de

Italy
Ministry of Foreign Affairs
Directorate General for
Development Cooperation
(DGCS)
Pizza della Farnesina - 1
00194 Rome
Italy
www.esteri.it

Japan
Japan Bank for International
Cooperation (JBIC)
Environment Analysis
Department
4-1 Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-8144
Japan
www.jbic.go.jp

Ministry of Foreign Affairs
Economic Cooperation Bureau
2-1-1 Kasumigaseki,
Chiyoda-ku, Tokyo 100-8919,
Japan
www.mofa.go.jp
webmaster@mofa.go.jp

Ministry of Finance
International Bureau
3-1-1 Kasumigaseki,
Chiyoda-ku, Tokyo 100-8940,
Japan
www.mofa.go.jp

Luxembourg
Ministry of Finance
Multilateral Development
Financing
3, rue de la Congrégation
2931 Luxembourg
Luxembourg
www.etat.lu/FI

Ministry of Foreign Affairs
Direction de la Coopération au
Développement
6, rue de la Congrégation
2931 Luxembourg
Luxembourg

The Netherlands
Ministry of Foreign Affairs
Bezuidenboutseweg 67
P.O. Box 20061
The Hague 2500 EB
Netherlands
www.minbuza.nl

NOVIB
Oxfam Netherlands
Mauritskade 9
P.O. Box 30919
The Hague 2500 GX
Netherlands
www.novib.nl

Norway
Norwegian Agency for
Development Cooperation
(NORAD)
Ruselokkveien 26
P.B. 8034 Dep.
0030 Oslo
Norway
www.odin.dep.no/ud/engelsk

Norwegian Ministry of
Foreign Affairs
7, juni plassen/ Victoria Terrasse
P.O. Box 8114 DEP
0032 Oslo
Norway
www.odin.dep.no/ud/engelsk

Sweden
Swedish International
Development
Cooperation Agency (Sida)
Division for Trade, Private
Sector Development and
Financial Systems
Department for Infrastructure
and Economic Cooperation
Sveavagen 20
S-105 25 Stockholm,
Sweden
www.sida.se
info@sida.se

Switzerland
Swiss Agency for Development
and Cooperation
Financial Sector Operations
Freiburgstrasse 130
CH-3003 Berne
Switzerland
www.sdc.admin.ch
info@deza.admin.ch

United Kingdom
Department for International
Development (DFID)
94 Victoria Street
London SW1E 5JL
United Kingdom
www.dfid.gov.uk
enquiry@dfid.gov.uk

United States
U.S. Agency for International
Development (USAID)
1300 Pennsylvania Ave., NW
Mail Stop: 20523-211
Washington, DC 20523
United States of America
www.usaid.gov
pinquiries@usaid.gov

MULTILATERAL MEMBER DONORS

African Development Bank (AfDB)
Temporary Relocation Agency
1002 Tunis Belvédère
BP 323
Tunis
Tunisia
www.afdb.org
afdb@afdb.org

Asian Development Bank (AsDB)
6 ADB Avenue
P.O. Box 789
Mandaluyong City
Philippines
www.adb.org/phco/default.asp
phco-mailbox@adb.org

European Commission (EC)
EuropeAid
Economic Cooperation
AIDCO/C/2
Loi 41-8/74
Rue de la Loi 200
1049 Brussels
Belgium
www.europa.eu.int
represent-bel@cec.eu.int

European Bank for Reconstruction and Development (EBRD)
One Exchange Square
London, EC2A 2JN
United Kingdom
www.ebrd.org
generalenquiries@ebrd.com

InterAmerican Development Bank (IDB)
1300 New York Ave., NW
Washington, DC 20577
United States of America
www.iadb.org
pic@iadb.org

International Fund for Agricultural Development (IFAD)
Via del Serafico, 107
00142 Rome
Italy
www.ifad.org
ifad@ifad.org

International Labour Office (ILO)
4, route des Morillons
CH 1211 Geneva 22
Switzerland
www.ilo.org
ilo@ilo.org

United Nations Capital Development Fund Special Unit for Microfinance (UNCDF/SUM)
Two UN Plaza, 26th Floor
DC2 Building, East 44th St.
New York, NY 10017
United States of America
www.uncdf.org
info@uncdf.org

United Nations Development Programme (UNDP)
MicroStart
One United Nations Plaza
Room UH-8th Floor
New York, NY 10017
United States of America
www.undp.org

The World Bank Group
1818 H Street, NW
Room F 11-K 188
Washington, DC 20433
United States of America
www.worldbank.org
www.ifc.org

FOUNDATION MEMBER DONORS

The Ford Foundation
320 East 43rd Street
New York, NY 10017
United States
www.fordfound.org
office-communications@fordfound.org

Argidius Foundation
Matorca Inc.
Suite 200
586 Argus Road
Oakville, Ontario
Canada, L6J3J3

CGAP STAFF BIOGRAPHIES

Elizabeth Littlefield, Director. Ms. Littlefield is a Director of the World Bank and the CEO of CGAP. She came from the investment bank JP Morgan, where she was the managing director in charge of JP Morgan's Emerging Markets Capital Markets in London until recruited to join CGAP. As such, she oversaw JP Morgan's financing business in Central, Eastern, and Southern Europe, Central Asia, and the Middle East and Africa. This involved arranging public bond issues, private placements, securitized and derivative structures, and related advisory work, such as credit ratings. In this capacity, she was responsible for most of the first-time public ratings and bond offerings of emerging market sovereign borrowers in the 1990s, as well as subsequent corporate and bank issues. Prior to this, Ms. Littlefield held positions as vice president and head debt trader for Africa, Eastern Europe, and Asia, and as a director in JP Morgan's Paris office in Corporate Finance, among others. In parallel to her career in investment banking, Ms. Littlefield also spent a year and a half in 1989-90 on secondment to several microfinance institutions in West and Central Africa and in Pakistan. She has served on the executive board of several organizations, including Women's World Banking, Profund, and Africa International Financial Holdings. Ms. Littlefield has also been a founder of several not-for-profit organizations, including an organization that linked European food banks and homeless shelters and the Emerging Market Charity in the UK. A citizen of the US and the UK, Ms. Littlefield is a graduate of Brown University and École Nationale de Sciences Politiques in Paris.

Matthew Brown, Research Analyst. Matthew Brown joined CGAP in October 2003. As a member of the financial institutions team, he contributes research on diverse institutions and co-authored the *Format for Appraisal of Network Support Organizations*. His professional experience includes two years of work in secondary education in Belize and four years of private sector work as a legal assistant for the corporate and international tax practice groups of Gibson, Dunn & Crutcher LLP. He holds a master's degree in international relations from Johns Hopkins University and a bachelor's degree in history from The Catholic University of America. Mr. Brown is proficient in French and Belizean Creole.

Robert P. Christen, Senior Adviser. Mr. Christen joined CGAP in 1998. He works on issues related to commercialization, regulation, and supervision. He is also the founder and director of the Microfinance Training Program at Naropa University in Boulder, Colorado; chair of the editorial board of *The MicroBanking Bulletin*; and sits on the boards of both the Microfinance Information eXchange and the Microfinance Management Institute. Before joining CGAP, Mr. Christen advised commercial banks interested in microfinance, central banks and bank superintendencies interested in the regulatory framework for microfinance, and donors interested in performance standards. Mr. Christen also worked for ACCIÓN International. He is the author of several publications related to sustainable microfinance. He received a master's degree from The Ohio State University's Rural Finance Program. He speaks Spanish and is proficient in Portuguese.

Carmencita B. Clay, Budget Officer. Ms. Clay joined CGAP in 1995. She handles all budget issues, administers CGAP's trust funds, and works with member donors on commitments to CGAP. Before joining CGAP, Ms Clay worked at USAID/Philippines, the Asian Development Bank, and various departments in the World Bank. Ms. Clay received a bachelor's degree in commerce (accounting major) from the Philippines College of Commerce.

Tamara Cook, Microfinance Analyst. Ms. Cook joined CGAP in 1996. She is currently focusing on CGAP's scaling up strategy in Africa and handles various corporate responsibilities such as report writing. In her time at CGAP, she has monitored CGAP investments, conducted institutional appraisals and due diligence, contributed to CGAP's network initiative, coordinated donor reporting, presented training courses in the industry, conducted research for CGAP initiatives, and written various CGAP publications, such as case studies. In the past year, Ms. Cook was seconded part-time to Equity Building Society, a growing MFI in Kenya, to work with their credit department and head office. Ms. Cook graduated from The George Washington University, where she studied international development and business administration. She has attended numerous training programs in microfinance and is proficient in French and has rudimentary Swahili.

Tiphaine Crenn, Microfinance Analyst. Ms. Crenn joined CGAP in 1998. She works on the financial institutions team as a coordinator for the CGAP capacity-building program, monitors CGAP investments, and assists in research on commercial alliances between banks and MFIs. She also works with the policy team and on CGAP's activities in the Middle East and North Africa. Before joining CGAP, Ms. Crenn worked as a

translator and bilingual lexicographer. She has a master's degree in translation from the University of Ottawa, Canada. She speaks English and French and is proficient in Spanish.

Rani Deshpande, Microfinance Analyst. Ms. Deshpande joined CGAP in 2003. As a member of the financial institutions team, she contributes to research and initiatives on diverse financial products and services, including money transfers and microsavings. Ms. Deshpande also participates in CGAP's governance responsibilities with respect to the Microfinance Investment Support Facility Afghanistan (MISFA). In addition, Ms. Deshpande manages the CGAP Pro-Poor Innovation Challenge competitive grant program. Her professional experience includes consulting assignments at the UN, training and small business consulting in West Africa, and business management in India and the US. Ms. Deshpande obtained a master's in business administration and a master's in international affairs from Columbia University. She speaks English, French, and Marathi, and is proficient in Spanish and Hindi.

Eric Duflos, Microfinance Specialist. Mr. Duflos joined CGAP in January 2003. He is part of the CGAP donor team, where he manages the Microfinance Donor Peer Reviews. Before he joined CGAP, Eric spent seven years in Laos, where he worked with the UN and the World Bank to help set up the first microfinance institutions and a conducive policy framework in that country. Eric has also worked for short periods in Cambodia, Indonesia, Bangladesh, Vietnam, Haiti, Madagascar, Chad, France, and the United States on SME and microfinance development. He holds a master's degree in management from the Lyon EM and a master's in economics and international relations from the School of Advanced International Studies of Johns Hopkins University. A French national, he speaks French and English, and some German and Lao.

Evelyne Fraigneau, Director's Assistant. Ms. Fraigneau joined CGAP in 1999. She provides assistance to the Director, handles information requests, and plans meetings for CGAP and its stakeholders. Before joining CGAP, Ms. Fraigneau worked in the World Bank's Africa Region and at the French mission to the United Nations office in Geneva, Switzerland. She studied translation at St. Bénigne Institute in Dijon, France, and Georgetown University.

Zoe Gardner, Team Assistant. Ms. Gardner joined CGAP in November 2003 and provides assistance to the donor team in addition to working with the OECD partnership team. Prior to joining CGAP, Ms. Gardner worked as an office manager in the film production and publishing industries in Australia and has also worked in the media sector in the United Kingdom and for Texaco, Inc., in Bermuda.

Natasa Goronja, Microfinance Analyst. Ms. Goronja joined CGAP in 2001. Originally a member of the microfinance industry team, she transferred to the donor team in early 2002. She now manages the CGAP/UNCDF joint donor training initiative, the Donor Information Resource Center (DIRECT), and DIRECT-Connect (a help-desk service for donor staff). Before joining CGAP, Ms. Goronja worked in the microfinance sector in Bosnia as a loan officer, microfinance trainer, consultant, and policy adviser. She holds a master's degree in European studies, a joint program of the London School of Economics, University of Bologna, and University of Sarajevo. A native of Bosnia and Herzegovina, Ms. Goronja speaks Serbo-Croatian, Italian, and French, as well as some Russian.

Idawati Harsongko, Team Assistant. Ms. Harsongko joined the World Bank Indonesia Country Office in 1999, where she worked with the Human Development Unit as a team assistant in the education sector. She joined CGAP in November 2003 as a member of the budget and adminstration team. She assists in processing consultant contracts, payments, and other administrative tasks. She received a three-year diploma in accounting from the Institute of Economics (STIE Perbanas) in Jakarta.

Syed Hashemi, Senior Microfinance Specialist. Dr. Hashemi joined CGAP in 1999. He concentrates on identifying pro-poor innovations and disseminating best practice lessons related to poverty outreach and impact. He developed the CGAP poverty audit for financial institutions and has worked extensively on assessing poverty levels of MFI clients. He is currently involved in developing social performance indicators for tracking changes in the social and economic levels of MFI clients. Dr. Hashemi also has regional responsibilities in developing access to financial services for the poor in South Asia. Before joining CGAP, Dr. Hashemi directed the Program for Research on Poverty Alleviation at the Grameen Trust from 1994-99. He also taught development studies at Jahangirnagar University in Bangladesh for 12 years, where he conducted research on microfinance, NGOs, and gender subordination in rural Bangladesh. Dr. Hashemi holds a Ph.D. in economics from the University of California at Riverside. A Bangladeshi national, he speaks English, Bangla, and conversational Hindi.

Brigit Helms, Lead Microfinance Specialist. Dr. Helms joined CGAP in 1996. She manages the donor team, which assists CGAP member donors to improve aid effectiveness in microfinance. Dr. Helms has also

worked in microfinance capacity building at CGAP, training donor staff and practitioners at the Microfinance Training Program in Boulder, Colorado, and other seminars. In addition to helping define and implement CGAP initiatives on depth of outreach, Dr. Helms led the development of the CGAP Poverty Assessment Tool. She has conducted several institutional appraisals of MFIs worldwide. Dr. Helms is the author of the *CGAP Product Costing Tool*, co-author of the *CGAP Appraisal Format*, and a regular contributor to the Focus Notes, Donor Briefs, and Donor Good Practice Case Study series. Prior to joining CGAP, Dr. Helms worked in the Latin America and the Caribbean division of IFAD, where she supervised projects with significant microenterprise and microfinance components. She has also worked as a desk officer for Central America at the US Department of Commerce. Dr. Helms has extensive private and public-sector consulting experience. She has worked in over 35 countries in Latin America, the Caribbean, Africa, and Asia. She holds a Ph.D. from Stanford University in development and agricultural economics, speaks Spanish, and is proficient in both French and Italian.

Martin Holtmann, Lead Financial Specialist. Mr. Holtmann joined CGAP in late 2003 to co-manage its cooperation with commercial banks. After stints in commercial banking and management consulting, he joined Internationale Projekt Consult (IPC), where he provided advisory assistance to banks and credit-granting non-governmental organizations in Eastern Europe and the NIS, Africa, and Latin America. In the early 1990s, he helped Centenary Bank in Uganda to develop and scale up its microfinance activities. For seven years, he was the Moscow-based program manager of the European Bank for Reconstruction and Development's Russia Small Business Fund, a US $300-million initiative supported by the G7. He also served as one of IPC's managing directors for five years. Mr. Holtmann has taught financial and personnel economics at Trier University and has authored several publications on microfinance, especially in the area of staff incentives. He holds a master's degree in economics from Trier University, a master's of public administration from Harvard University, and is currently completing his doctorate in finance at the Goethe University in Frankfurt a. Main, Germany. Mr. Holtmann speaks English, German, and Spanish, and is proficient in Russian and French.

Kristin Hunter, Publications Manager. Ms. Hunter joined CGAP in December 2002. She manages production of all CGAP publications in print and electronic media, including the CGAP web site. She also oversees the distribution and translation of CGAP publications. Ms. Hunter worked for most of the 1990s as program officer and managing editor for East European Studies at the Woodrow Wilson International Center for Scholars in Washington, DC. She has been a researcher/editor for the US Department of Defense in Germany, and administrative liaison for the US Senate for Xerox Corporation in Washington. As a free-lance managing editor, she has done structural edits of full-length books and research papers, managed publications for international projects and academic groups, and edited medical journal articles. She holds a bachelor's degree in English and history from Duke University and has done post-graduate work in East European history at The George Washington University. She is proficient in German and reads French.

Jennifer Isern, Lead Microfinance Specialist. Ms. Isern joined CGAP in 1996. She brings 15 years of experience in development, including more than five years in West Africa managing institutions. She leads the financial institutions team and is primarily responsible for Francophone Africa and China, although she works globally. Her work focuses on institutional strengthening through investments, training and technical assistance, new institutional models (such as bank-MFI linkages) and international and national networks. Before joining CGAP, Ms. Isern was the Regional Technical Adviser for economic development in West and Central Africa with CARE International, where she designed, trained, managed, and evaluated microfinance institutions. In addition, she has worked for USAID in Costa Rica and Senegal, UNDP New York, and AT&T's international division. She received a master's degree from Princeton University and is a CFA Charterholder. She speaks French and is proficient in Spanish.

Gautam Ivatury, Microfinance Analyst. Mr. Ivatury joined CGAP in June 2003. At CGAP, Gautam is on the microfinance industry team, manages the microfinance technology program, and works on issues related to investment in microfinance, linkages between MFIs and commercial banks, and several of CGAP's initiatives in India. He was most recently vice president of finance and administration at SKS Microfinance in Hyderabad, India. Mr. Ivatury helped raised nearly US $6 million in financing for SKS and contributed to the institution's growth from 8,000 to over 20,000 clients. Prior to joining SKS, he was an investment analyst at the International Finance Corporation, co-founded a startup education technology venture, and worked as an investment banker at Donaldson, Lufkin & Jenrette (now Credit Suisse First Boston). He holds master's and bachelor's degrees in international affairs from Johns Hopkins University and is proficient in French and Hindi.

Alexia Latortue, Microfinance Specialist. Ms. Latortue joined CGAP in 2002. She works in CGAP's Paris office, which assists member donors to improve aid effectiveness in microfinance. Ms. Latortue managed the Donor Peer Reviews in 2002, and now provides strategic and technical services to donor agencies. She has written and co-authored several reports on donor effectiveness in microfinance. Prior to joining CGAP, Ms. Latortue worked as a development specialist with Development Alternatives, Inc. (DAI) She was based in Haiti for three years, where she managed technical services to NGOs, credit unions, and commercial banks, and worked on industry infrastructure issues. Ms. Latortue launched initiatives on performance standards, external audits, microinsurance, knowledge management, and MFI training. Among other private sector posts, she has worked as a research analyst with Sterling International Group. Ms. Latortue holds a master's degree in development economics from the Fletcher School of Law and Diplomacy at Tufts University. She is fluent in French, Creole, German, and has rudimentary Spanish.

Sarah Manapol-Brown, Budget Assistant. Ms. Manapol-Brown joined CGAP in May 2000. She works closely with Carmencita Clay on the administration of CGAP's trust funds, donor and grant agreements, consultant contracts, and general office administration. Prior to joining CGAP, Ms. Manapol-Brown worked for the World Bank's Private Sector Department and Aon Risk Services/HTB Insurance Agency.

Patricia Mwangi, Microfinance Specialist. Ms. Mwangi joined CGAP in 1999. In CGAP, she manages the Rating Fund and works with initiatives designed to promote and support the development of transparency in the microfinance industry. She provides technical support to MFIs on financial performance and reporting quality and standards. Ms. Mwangi led an external audits initiative that promoted effective audits by providing information, tools, and training to external auditors. She has been involved in financial management training for donor staff and in Boulder. Prior to joining CGAP, Ms. Mwangi worked as an external auditor and management consultant with Price Waterhouse, Kenya. She performed statutory audits for two years for commercial entities and non-profit organizations. In her six years of management consulting, she managed small business finance and microfinance projects, conducted institutional performance assessments, business planning and financial management reviews, and did financial management training and training design. She received her master's degree in administration from the Australian Catholic University and is a CPA.

Nicole Pasricha, Research Assistant. Ms. Pasricha joined CGAP in December 2003. As a member of the microfinance industry team, Ms. Pasricha administers the CGAP-IDB Ratings and Assessment Fund and provides research and coordination assistance for other industry team projects, including the microfinance technology program. Before joining CGAP, Ms. Pasricha worked in business development for Sibley International. She holds a bachelor's degree in political science and business administration from the University of Florida as well as a master's in international affairs from the The George Washington University. She speaks French and Spanish.

Xavier Reille, Senior Microfinance Specialist. Mr. Reille joined CGAP in 1999. He is the leader of the microfinance industry team and is responsible for the Middle East/North Africa region. Mr. Reille is also the manager of the Microfinance Gateway and is chairman of the Microfinance Information eXchange (MIX) board. Before joining CGAP, he worked with Catholic Relief Services (CRS), where he was the regional microfinance adviser for Southeast Asia. During his three-year assignment with CRS, he set up a major investment company for rural banks in Indonesia and developed a rating methodology for these banks. Prior to joining CRS, he was operations director at Société d'Investissement et de Développement International (SIDI), where he played a role in the creation of Profund and the development of Centenary Bank (a commercial bank in Uganda). Mr. Reille has a master's degree in international finance from the University of Paris. He speaks French, Spanish, English, and Bahasa Indonesia.

Esther Rojas-Garcia, Research Assistant. Ms. Rojas-Garcia joined CGAP in October 2003. She provides research and project support to core activities such as the Pro-Poor Innovation Challenge Awards Program, the Trader and Processor Pilot Funding, the World Bank Portfolio Review, and the Impact Assessment Center of the Microfinance Gateway. Ms. Rojas-Garcia has worked with the United Farm Workers, the Center for Community Activism, and the Global Information Internship Program (GIIP), where she was a computer consultant for three years. Ms. Rojas-Garcia holds a bachelor's degree from the University of California, Santa Cruz, in global economics with a regional focus on Latin America. She speaks English and Spanish and is proficient in French.

Richard Rosenberg, Senior Adviser. Mr. Rosenberg joined CGAP in 1995. He has contributed to CGAP's tools and publications, including the external audit handbook; appraisal format; Occasional Papers on interest rates, delinquency measurement, and regulation;

CGAP's financial statement disclosure guidelines; and consensus guidelines on microfinance regulation and supervision. He is a core faculty member of the Microfinance Training Program in Boulder, Colorado, and also assists with other donor training. Before joining CGAP, Mr. Rosenberg was deputy director of USAID's Center for Economic Growth, which provided most of USAID's Washington, DC-based expertise in areas of private sector and agricultural development. He also spent nine years in Latin America, managing portfolios totaling US $600 million in export and investment promotion, privatization, pension reform, and development finance (especially microfinance). Prior to USAID, Mr. Rosenberg practiced antitrust and contract law with Boodell Sears in Chicago, and private investment management with the principal owner of the Parker Pen Company in Washington. He holds a Doctor of Law degree from Harvard University. Mr. Rosenberg speaks English and Spanish.

Ousa Sananikone, Senior Private Sector Development Specialist. Ms. Sananikone joined CGAP in 2000. She is responsible for the day-to-day management of CGAP. Her work also includes conducting appraisals of microfinance institutions and managing a number of investment projects. Before joining CGAP, Ms. Sananikone worked in the small and medium enterprise (SME) development department of the World Bank, where she managed a mix of SME and microfinance lending projects and economic sector work in Africa and Asia, focusing on SME development and competitiveness. She has contributed to a number of publications on the informal sector and the role of government in small enterprise development. Ms. Sananikone holds a master's degree in international affairs from the School of Foreign Service at Georgetown University. She speaks Lao, Thai, French, and English.

Mariana Salazar, Research Assistant. Ms. Salazar joined CGAP in June 2003. She conducts research and provides administrative support to a wide range of CGAP projects. Before joining CGAP, she served in internships with the Open Society Institute's Latin America Affairs Program and the Carnegie Corporation's Education Division. Ms. Salazar has a bachelor's degree from Ohio Wesleyan University and speaks English and Spanish.

Sashi Selvandran, Research Assistant. Ms. Selvendran joined CGAP in March 2003. She conducts research and provides support on a wide range of projects. Prior to joining CGAP, she worked at Chemonics International on the AMAP microfinance contract, as a graduate intern at the ILO in Sri Lanka, and as a program associate at Grameen Foundation USA. She holds a master's degree in local economic development from the London School of Economics and is proficient in Spanish.

Hannah Siedek, Research Assistant. Ms. Siedek joined CGAP in August 2003. She works with the donor team in Paris, France, on the follow-up to the Microfinance Donor Peer Reviews. She previously completed a three year-three country master's program at ESCP-EAP, Paris, during which she studied in England, Spain, and France. Before joining CGAP, she worked in internships with the investment bank NM Rothschild & Sons in London and the branding agency Momentum in Madrid. She speaks German, English, French, and Spanish.

Vegetable vendor in street market, Guatemala © World Bank Photo Library

CGAP Commitments, 1995-2004

	Change in Commitments	Beginning Balance	Expenses thru FY2003	Expenses FY2004	Balance
I. A. New Commitments - FY04	**11,920,035**	**40,000**	**6,873**	**977,843**	**10,975,319**
CAPAF (Phase 2)	2,191,000				2,191,000
Retail Advisory Service	2,000,000				2,000,000
Microsave Africa III	1,500,000			300,000	1,200,000
Microfinance Technology Program	1,250,000			55,700	1,194,300
Pro-Poor Innovation Challenge (Phase 2)	1,000,000				1,000,000
Microfinance Framework for Afghanistan (MISFA) (Phase 2)	800,000				800,000
Rating Fund II	800,000				800,000
Central Asian Microfinance Center	594,400				594,400
Social Indicators	240,000			585	239,415
Processor and Trader Credit	175,000			55,000	120,000
Review of UNDP Portfolio	140,000			125,000	15,000
Regulation and Supervision Resource Center	105,000			1,104	103,897
High Level Meeting	93,000			88,442	4,558
Uganda Sector Study	90,000			62,957	27,043
Client Survey in Peru	90,000			45,000	45,000
Diagnostic for MENA Initiative	85,000			9,444	75,556
Peer Review Follow-Up	83,000			31,844	51,156
Donor Help Desk	73,500			3,229	70,271
MFI Bank Linkage Study	66,000				66,000
Rural Microfinance Web Center	60,000				60,000
Training of Trainers	60,000			46,135	13,865
Grants and Microfinance Clients	55,000				55,000
Donor Good Practices Case Studies	50,000			42,989	7,011
Donor Relationship Management	48,000			8,753	39,247
New "Pink Book"	42,000				42,000
Network Analysis	40,000	40,000	6,873	32,296	40,830
New Institutional Models, Case Studies	40,000			17,221	22,779
MFI Social Performance	35,860			12,575	23,285
WB Microfinance Operational Notes	31,650				31,650
Training Modules for DIRECT	27,000			8,640	18,360
DIRECT Presentations	26,625			26,625	
Interest Rates Cap Study	20,000			4,305	15,695
MFC Regulation and Supervision Videoconference	8,000				8,000

	Change in Commitments	Beginning Balance	Expenses thru FY2003	Expenses FY2004	Balance
I. B. Additions to Commitments	**2,369,459**	**7,511,817**	**5,889,522**	**2,007,961**	**1,983,793**
CAPAF (Phase 1)	595,460	2,400,000	2,102,634	705,058	187,768
Donor Mainstreaming	493,500	636,170	357,196	32,166	740,308
Pro-Poor Innovation Challenge	460,000	1,400,000	1,446,563	356,022	57,415
Guidelines on Regulation and Supervision	328,325	187,660	126,115	133,955	255,915
Appraisals and Technical Assistance	170,820	1,468,720	962,366	198,939	478,235
Donor Peer Reviews	100,000	281,319	281,318	41,007	58,994
Course Development for Asia	68,724	13,000	13,000	59,780	8,944
Boulder Scholarship for Donors	50,000	50,000	34,510	51,909	13,581
Deepening Client Outreach	46,380	694,914	412,528	163,165	165,601
Donor Services - Europe Office	40,000	200,000	139,307	99,094	1,599
Microfinance Credit Line Review	16,250	180,034	13,985	166,867	15,432

	Change in Commitments	Beginning Balance	Expenses thru FY2003	Expenses FY2004	Balance
I. C. Closed Out or Reduced Commitments in FY04	**(624,364)**	**2,263,329**	**1,644,291**	**(5,326)**	
Latin America Poverty Survey	(315,472)	325,000	9,528		
Others*	(220,639)	220,639			
CE/NIS Mapping	(78,282)	200,000	117,073	4,645	
AFCAP	(9,971)	1,517,690	1,517,690	(9,971)	
I. Subtotal Movements in Commitments (I.A + I.B + I.C)	**13,665,130**	**9,815,146**	**7,540,686**	**2,980,478**	**12,959,112**

II. Publications, Translations and Websites	Change in Commitments	Beginning Balance	Expenses thru FY2003	Expenses FY2004	Balance
Translation Project	922,500				922,500
Publications and Translations	758,000	1,446,713	1,091,114	577,398	536,201
Associates Program with MFC	82,000			40,000	42,000
CGAP Web site	68,580	53,560	53,560	60,760	7,820
Management and Maintenance of CGAP Websites	60,000			27,898	32,102
Microfinance Gateway		1,592,000	622,901	386,854	582,246
II. Total	**1,891,080**	**3,092,273**	**1,767,575**	**1,092,909**	**2,122,869**

III. Ongoing Grants and Initiatives, 1995–2004	Commitments	Expenses thru FY2003	Expenses FY2004	Balance
Microfinance MBA	2,687,500	74,349	629,035	1,984,115
Microfinance Information eXchange (MIX)	2,000,000	652,529	35,676	1,311,795
Guatemala Credit Union Rating Agency (WOCCU)	1,775,000	900,000		875,000
Africa International Financial Holdings (AIFH)	1,500,000	526	169,885	1,329,589
Rating Fund (Phase 1)	1,225,000	446,984	469,583	308,433
Nirdhan, Nepal	1,100,000	700,000		400,000
Joint WOCCU/FFH Credit Union Downscaling (SCWE) Fund	1,065,370	500,000	450,000	115,370
Microfinance Framework for Afghanistan (MISFA) (Phase 1)	1,000,000		500,000	500,000
Opportunity International	1,000,000	500,000	300,000	200,000
Friends of Womens World Banking, India	1,000,000	500,000		500,000
Donor Staff Training UNDP-CDF	941,744	676,744	205,000	60,000
BRI International Visitors Program, Indonesia	925,000	848,430	22,113	54,458
SEEP Network (Phase 1 and 2)	906,100	717,600	188,500	
Pilot Capacity Building Initiative in Africa	847,000	821,797	15,924	9,280
CIDR East Africa Initiative	836,000	279,930	289,255	266,815
SEWA Insurance, India	775,000	320,842	227,829	226,330
Microfinance Network (Phase 1, 2, and 3)	694,600	544,600	75,000	75,000
Kashf, Pakistan	600,000	400,000	200,000	
External Audit Capacity Building	550,000	223,299	14,242	312,460
China Capacity Building Initiative	440,000	196,609	15,830	227,561
Commercialization	426,650	49,334	21,214	356,102
New Course Development	300,000	217,330	7,489	75,181
Agricultural Microfinance	199,900	38,135	36,916	124,849
Africa Regional Study	197,000		76,526	120,474
Promujer, Bolivia	180,163	60,163	120,000	
Developpement International Desjardins (Phase 2)	180,000	60,015	59,985	60,000
CGAP Donor Training	177,200	129,392	28,333	19,475
Information Technology Projects for Microfinance	165,000	14,099	129,540	21,361
Capacity Building (Global)	150,000	125,574		24,426
Infrastructure and Microfinance	126,500			126,500
Information Systems Consumer Report	123,933	123,933		
Donor Information Resource Center (DIRECT)	100,000		28,454	71,546
Product Costing Tool Testing	100,000	35,291	32,894	31,815
Client Poverty Levels form. Poverty Assessment Tools	100,000	39,392	16,453	44,155

III. Ongoing Grants and Initiatives, 1995–2004	Commitments	Expenses thru FY2003	Expenses FY2004	Balance
Poverty Case Studies	100,000	9,453		90,547
Self-Help Groups (SHG) Study	85,000	31,603	21,408	31,989
Microinsurance Resource Center	65,000	1,152		63,848
Microinsurance, Mali	60,000	25,000	25,000	10,000
New Training Partnerships	50,000	2,891	17,987	29,122
Factory Workers in India	50,009	8,547	41,463	
Linkages to Non-Financial Institutions (S. Africa)	50,000	9,358	27,634	13,008
Donor Briefs	50,000	13,886	9,929	26,185
Poverty Assessment - West Africa	50,000	2,844	15,842	31,315
Transfer/Remittance Payment	20,000		11,452	8,548
Business Process Mapping	20,000	5,000		15,000
FORD-IDS Impact Study	20,000	7,576		12,424
World Bank Support and Relationships	10,000	5,507		4,493
Total	**25,024,669**	**10,319,712**	**4,536,389**	**10,168,569**
Total Undisbursed Portion of Grants/ Initiatives and Publications, Translations, and Web sites				**25,250,550**

IV. Closed Commitments	Commitments	Expenses thru FY2003	Expenses FY2004	Balance
ACCION International Gateway Fund	2,500,000	2,500,000		
Women's World Banking Facility for Affiliate Capitalization (Phase 1)	2,500,000	2,500,000		
ACODEP, Nicaragua	2,000,000	2,000,000		
Compartamos, Mexico	2,000,000	2,000,000		
SHARE, India	2,000,000	2,000,000		
Project Dungganon, Philippines	1,600,000	1,600,000		
MicroSave-Africa	1,400,000	1,400,000		
FINCA International	1,260,000	1,260,000		
CARD, Philippines	1,200,000	1,200,000		
MicroBanking Bulletin (Phase 1 and 2)	947,645	947,645		
K-Rep Bank and Kwa Multipurpose Society, Kenya	900,000	900,000		
Women's World Banking Facility for Affiliate Capitalization (Phase 2)	750,000	750,000		
Pilot Capacity Building Initiative in Asia	693,318	693,318		
ACCION International (Phase 2)	500,000	500,000		
ACEP, Senegal	500,000	500,000		
Developpement International Desjardins	500,000	500,000		
Microfinance Centre	438,000	438,000		
Business Planning and Financial Modeling	323,559	323,559		

IV. Closed Commitments	Commitments	Expenses thru FY2003	Expenses FY2004	Balance
CASHPOR, Inc.	323,000	323,000		
Audit Handbook	293,900	293,900		
China Microfinance Forum and Policy Work	267,830	267,830		
West Africa High Level Policy	256,300	256,300		
Save the Children, Middle East Region	250,000	250,000		
Ahantaman Rural Bank, Ghana	225,000	225,000		
Nsoatreman Rural Bank, Ghana	225,000	225,000		
Centenary Rural Bank, Uganda	220,000	220,000		
Zakoura, Morocco	220,000	110,000	110,000	
Poverty Assessment Tool with IFPRI	214,160	214,160		
Product Manager	204,440	204,440		
Vietnam Bank for the Poor	189,400	189,400		
Apex Study	156,700	156,700		
World Development Report Impact Study	113,800	113,800		
West Africa Study of PARMEC Law	112,200	112,200		
Katalysis, Latin America	98,700	98,700		
XAC, Mongolia	95,000	95,000		
Virtual Microfinance Market	94,827	94,827		
Tools Dissemination	84,600	84,600		
Third Consultative Forum	77,970	77,970		
Ennatien Moulthan Tchonnebat (EMT), Cambodia	75,000	75,000		
*Safe*Save, Bangladesh	70,600	70,600		
Evaluation of African MFIs by ADA	70,000	70,000		
Prizma, Bosnia	65,000	65,000		
Microcredit Summit Meeting of Councils Scholarships	63,000	63,000		
PRIDE Africa Evaluation	56,000	56,000		
Support for Industry Conferences in (Phase 1)	53,100	53,100		
Global Donor Portfolio Database	52,954	52,954		
NABWT, Tajikistan	50,000	50,000		
Grameen Koota, India	50,000	50,000		
Spandana, India	50,000	50,000		
Aga Khan Rural Support Foundation, Pakistan	50,000	50,000		
Credit and Development Forum, Bangladesh	50,000	50,000		
Doveriye, Russia	50,000	50,000		
Foundation for Development Cooperation, Asia	50,000	50,000		
Freedom from Hunger, West Africa	50,000	50,000		
INDNET, India	50,000	50,000		
Kafo Jiginew, Mali	50,000	50,000		

IV. Closed Commitments	Commitments	Expenses thru FY2003	Expenses FY2004	Balance
PHILNET, Philippines	50,000	50,000		
Rural Finance Facility, South Africa	50,000	50,000		
Zambuko Trust, Zimbabwe	50,000	50,000		
Banco do Nordeste do Brazil	49,020	49,020		
Microfinance Revolution Publication	44,600	44,600		
FECECAM, Benin	40,000	40,000		
Microfinance Video	35,000	35,000		
Microfinance Ratings Paper	32,090	32,090		
MicroSave Africa Evaluation	30,500	30,500		
Housing Microfinance	30,000	30,000		
Capacity Building in Sri Lanka	25,950	25,950		
Grameen Bank Securitization	25,700	25,700		
DEVCAP	25,000	25,000		
Field Presence Research	21,140	21,140		
Mexico Microfinance Conference	20,000	20,000		
Funding for the Poor Cooperative (Operations Manual)	19,235	19,235		
Government Savings Bank, Thailand	17,920	17,920		
Centre for Self-Help Development, Nepal	13,000	13,000		
Credit Scoring Paper	13,000	13,000		
Impact Assessment Methodologies Virtual Meeting	10,000	10,000		
Conference on Regulation and Supervision	7,100	7,100		
Total	**27,350,258**	**27,240,258**	**110,000**	

** In cases where the committed amounts are not fully disbursed, balances are returned to the original trust fund when the projects/grants are closed.*