

ANNUAL REPORT 2002



CONSULTATIVE GROUP TO ASSIST THE POOREST

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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).

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Consultative Group to Assist the Poorest  
c/o The World Bank  
1818 H. Street, N.W.  
Room Q4-400  
Washington, D.C. 20433

Tel: (202) 473-9594  
Fax: (202) 522-3744  
email: [cgap@worldbank.org](mailto:cgap@worldbank.org)  
<http://www.cgap.org>

**CGAP ANNUAL REPORT  
2002**

**JULY 1, 2001-  
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Two women holding money, Cambodia. (Tim Hall/Getty Images.)

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## FROM THE DIRECTOR

### FINANCIAL SERVICES FOR THE POOR

**M**ICROFINANCE works. It has proved to be a powerful instrument for poverty reduction that enables the poor to build assets, increase incomes, and reduce their vulnerability to economic stress. Microfinance is sustainable. There is greater consensus than ever before about what is needed to make microfinance sustainable, such as cost-covering interest rates, demand-driven products, and a relentless focus on efficiency. Yet, with an unserved market of nearly *one billion* poor people still lacking access to basic financial services, especially the very poor, the microfinance challenge and opportunity remain ahead of us.

This is the decade in which microfinance must either realize its vast potential to equip truly large numbers of people to improve their own lives, or fade into an unfulfilled promise. Success requires that we refuse to accept a status quo in which it is considered normal for a country's financial system to serve only a tiny minority of its population, while the vast majority remains outside the system. It requires understanding the dramatic and subtle differences between poor people and their needs. It requires recruiting and deploying many more distribution channels to build on and complement the success of existing microfinance institutions. And it requires delivering a far wider variety of financial services to the poor and the very poor, in rural and urban areas, in large countries and in small.

To achieve this we must change how microfinance is perceived—from a specialized niche of development to one of the cornerstones of any poor country's financial system. Building *financial services for the poor* on this scale calls for a variety of distribution systems with different objectives and approaches for different market segments of the poor population. Legal and supervisory systems will be designed to stimulate, support, and ensure the soundness of a range of organizations that may include donor-supported non-profit organizations,

cooperatives, and insurance or credit card companies. The term “microfinance” will no longer be necessary as we remove the walls—real and imaginary—that separate the microfinance community from the much broader world of financial systems, markets, and development.

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Opening up microfinance to embrace a diversity of organizations and models is urgent. Right now, the growth of poverty and unrealized human potential is outpacing the incremental growth of microfinance. But it is also well within our reach because many of the elements needed to scale up and diversify financial services to the poor are in place. A great deal of knowledge about the requirements of sustainable microfinance already exists through the experience of microfinance practitioners to date. Remarkable cost efficiency has been achieved by several vanguard microfinance institutions. Elsewhere, advances in information technology promise to lower costs, and risks, further. Some large banks and other organizations with nationwide distribution systems are beginning to take an interest in reaching poorer clients or in leveraging their existing networks with new services. Enabling policy frameworks are slowly being put in place and some unsupportive ones are being dismantled. Financial reporting and other standards are coalescing, eliminating unnecessary expense and the duplication of effort.

Integrating microfinance into the established financial sector and deploying more delivery channels will require patient and creative experimentation with different models, mechanisms, products,

and services. It will require strengthening successful existing microfinance institutions. It will require generous, timely, and effective information-sharing on experiments and lessons learned. And it will require far higher and more consistent reporting standards, especially greater transparency about the financial strength and performance of microfinance operations.

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Subsidies will always be required for certain functions. Clarity about clients reached and the roles played by different organizations is essential in order to allocate these scarce subsidies. On the other side, donor agencies will need to overcome internal limitations to their effectiveness and provide financial support that is demand-driven, efficient, and complementary to other funding.

This is the mission CGAP seeks to achieve through its work with its many partners worldwide. Simply, we are committed to helping build flexible, convenient, and affordable financial services for the poor and the very poor on a global scale.

We would like to sincerely thank our member donors for their steadfast support and engagement. Deep thanks also to the staff of the many networks, service providers, donors, and microfinance organizations who are our partners. It is only through collective action that we will succeed—in this decade and on the breathtaking scale before us—to truly build financial services for all the poor who require them, enabling them to build assets, educate families, seize opportunities, and chart their own path out of poverty.

Elizabeth L. Littlefield  
August 2002





Woman walking by dried chili peppers, Mexico. (©1994, The Word Bank Photo Library/Curt Carnemark.)

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# FINANCIAL SERVICES FOR THE POOR: THE BASICS

**L**IKE 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 like school fees and holiday celebrations. They need financial services to prepare for life-cycle events like the wedding of a daughter or the death of a grandmother. They need financial services to cope with emergencies like the sudden death of a wage-earner or a monsoon that wreaks havoc on their village.

To address these myriad needs, the poor utilize a wide range of financial services—and have done so for centuries. Although in many cases they lack access to the formal financial system, the poor enter into a variety of financial relationships. Informal systems like moneylenders, savings clubs, rotating savings and credit associations, and mutual insurance societies are pervasive in nearly every developing country. The poor also use assets like animals or gold as a form of savings to be “withdrawn” through sales when the need arises or opportunity knocks. Cash buried in the backyard or stashed under a mattress are very popular means to save among the poor. For specific purposes, to buy fertilizer, for instance, they may be able to obtain credit from input suppliers or commercial vendors. Finally, some poor people are clients of formal institutions like savings and credit cooperatives, government-owned development banks, or post banks.

The informal (and some formal) financial services currently available to the poor, however, have serious limitations in terms of cost, risk, and convenience. Moneylenders, for example, charge exorbitant interest rates on loans. Buying inputs on credit is far more expensive than paying in cash. Local rotating savings and credit circles often allow deposits and loans only at very specific time intervals and in strict amounts. A cow is not a divisible asset that can be sold to meet small cash needs—and it can be stolen, get sick,

or die. Existing financial institutions may not offer financial products that are appropriate to the needs of the poor.

Recognition of the need to extend access to formal financial services to the poor is not new. Beginning in the 1950s, development projects began to introduce subsidized credit programs targeted at specific communities. For example, governments and donors focused on providing subsidized agricultural credit to small and marginal farmers with the goal of raising productivity and incomes. These subsidized schemes were rarely successful because the funds did not always reach the poor, ending up concentrated in the hands of better-off farmers. Repayment rates were low and rural development banks suffered massive erosion of their capital base due to subsidized lending rates.

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*“Through the 1980s and 1990s, microcredit programs throughout the world improved upon the original methodologies and bucked conventional wisdom about financing the poor.”*

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The general failure of large subsidized credit schemes inspired social entrepreneurs in developing countries to test alternative ways to provide credit to poor people. Beginning in the 1970s, experimental programs in Bangladesh, Brazil, and a few other countries extended tiny loans to groups of poor women for the purpose of investing in micro-businesses. This type of microenterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members.

Through the 1980s and 1990s, microcredit programs throughout the world 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 were common among the better programs—unheard of in the formal financial sectors of most developing countries.

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*“Financial services needed by poor people extend far beyond working capital loans to encompass savings, credit, insurance, and money transfer services. Convenient, safe, and secure deposit services are a particularly crucial need.”*

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Second, the poor were willing and able to pay interest rates that allowed microfinance institutions (MFIs) to cover their costs. Third, these two features—high repayment and cost-recovery interest rates—permitted some MFIs to achieve long-term sustainability and reach large numbers of clients. In fact, the promise of microfinance as a strategy that combines massive outreach, far-reaching impact, and financial sustainability makes microfinance unique among development interventions.

By the dawn of the new millennium, however, the microfinance community began to note a number of limitations inherent in the microenterprise credit model:

- Not all poor people run microenterprises. Supply-driven microenterprise credit methodologies have reached a relatively narrow band of clients, leaving behind a range of poor people for whom credit products are not particularly suited.
- Financial services needed by poor people extend far beyond working capital loans to encompass savings, credit, insurance, and money transfer services. Convenient, safe, and secure deposit services are a particularly crucial need.
- NGOs, while crucial for conducting research and development of new models, face serious challenges in governance, legal frameworks, and cost structures. More importantly, they have generally not reached massive scale, nor independence from donors (although there are major exceptions to this rule).
- Institutions with large existing infrastructures, such as commercial and state-owned banks, credit union networks, financial cooperatives, and even retail chains, may offer a significant, if challenging, “answer” to the problem of scaling up financial services for the poor.



Man with water buffalo cart, Philippines. (© 1993, The World Bank Photo Library/Edwin G. Huffman.)

At the same time that microfinance is encountering these challenges, the global development community is beginning to recognize the multi-dimensional nature of poverty and the importance of choice and empowerment in the lives of the poor. Since the early 1990s, the international community has rallied in an unprecedented way around the Millennium Development Goals (MDGs), which aim to reduce different aspects of poverty in concrete ways (see Box 1). Financial services provide the foundation for poor people to pursue the MDGs as individuals, enabling them to make their own choices as to how best to overcome poverty.

Microfinance and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty. For the international community, this means reaching specific MDG targets in education, women's empowerment, and health, among others. For microfinance, this means a new approach to providing financial services to the poor, as described in the previous section of this report.

Evidence shows that when poor people have access to financial services, these services enable them to fight poverty on their own terms. Whether they choose to invest savings or loans in such "assets" as sending more children to school, buying better medicines or more nutritious food, fixing a leaky roof, or increasing their incomes by investing in their businesses, financial services underpin poverty reduction in multiple, concrete ways. ■

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*"Whether they choose to invest savings or loans in such 'assets' as sending more children to school, buying better medicines or more nutritious food, fixing a leaky roof, or increasing their incomes by investing in their businesses, financial services underpin poverty reduction in multiple, concrete ways."*

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#### Box 1. Microfinance, Poverty Reduction, and the Millennium Development Goals (MDGs)

Financial services give the poor more power and choice to pursue their own strategies for escaping poverty. Because microfinance services can be delivered sustainably within relatively short periods of time, these benefits can be delivered on a permanent basis, well beyond the duration of donor or government programs that rely on continuous subsidies.

A review of microfinance literature points to several specific conclusions about the impact of microfinance on several of the MDGs:

**Eradicate extreme poverty and hunger.** Extensive evidence demonstrates that microfinance helps to reduce poverty by increasing incomes, allowing the poor to build assets.

**Achieve universal education.** Households that have 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. Participation in credit and savings programs has enabled many families to send several children at a time to school and has reduced drop-out rates in higher primary grades.

**Promote gender equality and women's empowerment.** Microfinance clients are overwhelmingly female. Microfinance has been widely credited for empowering women by increasing their contributions to household income, the value of their assets, and control over decisions that affect their lives.

**Reduce child mortality, improve maternal health, and combat disease.** Microfinance contributes to improved nutrition, housing, and health, especially among women clients.



Women working, Kenya. (© The World Bank Photo Library/Curt Carnemark.)

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## ABOUT CGAP

**C**GAP is an organization that brings together public and private sector donors in support of a single goal: to expand the access of the poor to financial services on a large scale. Since its creation in 1995, CGAP has become a recognized center of excellence for microfinance and its membership has expanded from 9 to 29 donors and foundations.

A service provider for the microfinance industry, CGAP functions as a standard setter, convening platform, incubator of innovations, knowledge center, and information clearinghouse.

CGAP serves three distinct groups of clients: microfinance institutions and networks, donors, and the microfinance industry as a whole (supervisors, information technology specialists, auditors, regulators, and private service providers). CGAP provides services to each of these client groups, such as technical assistance, strategic advice, training, the development of operational tools and consensus guidelines, action research, funding, and the dissemination of publications and research published by CGAP and other microfinance organizations.

Originally established as a three-year program, CGAP was renewed in 1998 for an additional five years (1998-2003) and charged with institution building, commercialization, policy and regulation, deepening the outreach of microfinance providers to reach poorer clients, and improving donor microfinance operations.

In April 2002, CGAP's board of directors, the Consultative Group (CG) of member donors, conducted a broad review of the CGAP system and the changing needs of the microfinance industry. Based on an independent external review, the CG renewed CGAP for a third phase (2003-2008) on an interim basis, pending final approval of a new strategic document in September 2002. CGAP member donors and management are currently designing this phase, to commence July 2003, which will focus on broadening and diversifying financial services for the poor.

### ORGANIZATION

CGAP is housed at the World Bank, but operates as an independent entity with its own governance structure.

#### **Consultative Group of Member Donors (CG)**

The CG is the membership and governance body of CGAP. Effectively the Board of Directors, the CG is comprised of 29 bilateral and multilateral development agencies and foundations. (See Table 1 for individual members, Annex 1 for an institutional listing.) The CG is chaired by Nemat Talaat Shafik, Vice President for Private Sector Development and Infrastructure of the World Bank.

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Two new members joined the CG in fiscal year 2002: the Argidius Foundation and the Ford Foundation. Their membership is a reflection of CGAP's ongoing work to involve more private investors and funders in microfinance.

#### **Executive Committee**

The Executive Committee (Excom) of CGAP is a subset of CG members that functions as the organization's executive governing body. It is comprised of six members (see Table 1), each representing a constituency of the CG, and is chaired by Camilla Bengtsson, Microfinance Advisor, Swedish International Development Cooperation Agency.

The Executive Committee approves both the annual budget and workplans of CGAP. One of its key roles is to facilitate communication between the CGAP operational team and the CG. In fiscal year 2002, the Excom was particularly active, working with the external evaluators of CGAP, contributing

**Table 1. Member Donors of CGAP, June 2002**

<b>BILATERAL MEMBERS</b>	
<b>Country/Institution</b>	<b>CG Representative(s)</b>
Australia	Kieran Donaghue
Belgium	Jean-Louis de Gerlache
Canada	Jean Claude Lorin*
Denmark	Niels Richter, Jorn Olesen
Finland	Jaako Kangasniemi, Tuukka Castren
France	Alain Chetaille, Anne Clerc, Jacques Cossart, Jean Bruschi
Germany	Roland Siller, Arlina Tarigan, Dirk Steinwand,
Italy	Gianni Ghedini
Japan	Teruhisa Oi, Kiyomi, Miyagawa, Toshimitsu Saiuchi
Luxembourg	Georges Heinen, Arsène Jacoby, Thierry Lippert
The Netherlands	Johan De Waard*
Norway	Hege Gulli, Anne Kristin Hermansen
Sweden	Camilla Bengtsson*
Switzerland	Hansruedi Pfeiffer
United Kingdom	David J.N. Stanton*
United States	Kate McKee
<b>MULTILATERAL MEMBERS</b>	
African Development Bank (AfDB)	Mohamed Mah'moud, Abdirahman Beileh, Ross Croulet
Asian Development Bank (AsDB)	Akira Seki, Nimal Fernando*
European Bank for Reconstruction and Development (EBRD)	Elizabeth Wallace
European Commission (EC)	Odoardo Como
Inter-American Development Bank (IDB)	Alvaro Ramirez
International Bank for Reconstruction and Development (World Bank)	Nemat Talaat Shafik, <sup>+</sup> Carlos Cuevas, William F. Steel
International Fund for Agricultural Development (IFAD)	Henri Dommel
International Labour Organization (ILO)	Bernd Balkenhol
United Nations Development Program (UNDP)/ United Nations Capital Development Fund (UNCDF)	Heather Clark*
United Nations Conference on Trade and Development (UNCTAD)	Massi Sahami-Malmberg, Frank Grozel
<b>FOUNDATIONS</b>	
Argidius Foundation	Jim Shelter, Charles Shaw
Ford Foundation	Frank DeGiovanni

<sup>+</sup> Chair of the Consultative Group  
<sup>\*</sup> Member, Executive Committee of Consultative Group (see Annex 1 for a list of constituencies)

**Table 2. Members of the CGAP Investment Committee, June 2002**

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

extensively to the strategic plan and charter that will govern the organization's third phase, and providing valuable input to CGAP initiatives.

### Investment Committee

The Investment Committee (IC) of CGAP is the fiduciary oversight body that acts on behalf of the Consultative Group (see Table 2). The IC is composed of senior-level staff of the World Bank and the International Finance Corporation (IFC), with Executive Committee members acting as observers. Jean-François Rischard, Vice President for Europe, World Bank, chairs the Investment Committee; Assaad Jabre, Vice President of Operations, International Finance Corporation, is the alternate chair.

The Investment Committee ensures that the investments recommended by CGAP staff adhere

to the overall strategy endorsed by the Consultative Group. The committee evaluates all CGAP initiatives larger than \$100,000.

In Spring 2002, the Investment Committee saw the departure of two long-time members, Douglas Webb and Chris Scott. CGAP would like to thank them both for their valuable contributions to the work of the committee. CGAP was delighted to welcome Elizabeth Adu, Chief Counsel, Africa Practice Group, Legal Division of the World Bank, and Lynn Bennett, Advisor to the Social Development Department of the World Bank, to the Investment Committee.

### Policy Advisory Group

The Policy Advisory Group (PAG) is comprised of eight leading practitioner-experts (see Table 3). The primary role of the PAG is to support and

**Table 3. Members of the CGAP Policy Advisory Group (PAG), June 2002**

#### **Current members:**

Pilar Ramirez, Chair, Centro de Fomento a Iniciativas Económicas (FIE), Bolivia  
 Fouad Abdelmoumni, Association Al Amana pour la Promotion des Microentreprises, Morocco  
 Fazle Hassan Abed, Bangladesh Rural Advancement Committee (BRAC), Bangladesh  
 Shafiqul Haque Choudhury, Association for Social Advancement (ASA), Bangladesh  
 David Gibbons, CASHPOR, Inc., Malaysia  
 Carlos C. Labarthe, Financiera Compartamos, Mexico  
 Alex A. Silva, Profund Internacional, Costa Rica  
 John de Wit, Small Enterprise Foundation, South Africa

#### **Former members:**

Muhammad Yunus (former Chair), Grameen Bank, Bangladesh  
 Kimanthi Mutua (former Chair), K-REP Bank, Kenya  
 Kamardy Arief, formerly of Bank Rakyat Indonesia  
 Nancy Barry, Women's World Banking, United States  
 Ela Bhatt, Self-Employment Women's Association (SEWA), India  
 Renée Chao-Beroff, Centre International de Développement et de Recherche (CIDR), France  
 Martin Connell, Calmeadow Foundation, Canada  
 Rosalind Copisarow, formerly of Fundusz Mikro, now based in the United Kingdom  
 Vijayalakshmi Das, Friends of Women's World Banking, India  
 Sukor Kasim, Center for Policy Research, Universiti Sains Malaysia, Malaysia  
 Klaas Kuiper, Agency for Business Development, Cape Verde  
 Maria Nowak, Association pour le Droit à l'Initiative Économique (ADIE), France  
 Maria Otero, ACCION International, United States  
 Alpha Ouedraogo, Centre d'Innovations Financières, Burkina Faso  
 Nabil El Shami, Alexandria Business Association, Egypt  
 Sizwe Tati, Khula Finance Enterprise Limited, South Africa  
 Lawrence Yanovitch, Foundation for International Community Assistance (FINCA), United States  
 Kerfalla Yansane, Banque Centrale de la République de Guinée, Republic of Guinea

advise the Consultative Group and CGAP staff on the policies and strategic direction of CGAP. Members of the PAG contribute valuable practitioner viewpoints to CGAP activities and policies and support CGAP in championing good practice in microfinance. Pilar Ramirez of Centro de Fomento a Iniciativas Económicas (FIE) currently chairs the PAG.

Over the past year, PAG members actively contributed to a CGAP-led effort to develop broadly applicable poverty indicators for MFI clients. PAG members also reviewed finalists for the Pro-Poor Innovation Challenge awards and candidates for the Appraisal and Monitoring Service. They contributed papers to the Microfinance Visionary Showcase on the future of microfinance and provided advice on CGAP market research in Central America and Mexico. PAG members also encouraged MFIs in their respective countries to utilize the IDB-CGAP Rating Fund (see page 28) and to test CGAP technical tools.

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*“Effectively the Board of Directors, the Consultative Group is comprised of 29 bilateral and multilateral development agencies and foundations.”*

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#### **CGAP Staff**

CGAP staff constitute the operational arm of CGAP. A small group of experienced microfinance specialists, the staff implements the strategy endorsed by the CG (see Figure 1). The team is headed by Director and CEO Elizabeth Littlefield. (See Annex 2 for staff biographies.)

The Microfinance Industry Team promotes transparency of financial information on microfinance providers and the exchange of knowledge within the microfinance industry. The Microfinance Institutions Team supports MFIs through training, appraisals, and technical assistance. The Microfinance End-Client Team advances innovative methodologies that allow MFIs to deepen poverty outreach and offer diverse financial services. It also develops tools to increase transparency about poverty levels of microfinance clients.

In early 2002, a new Donor Services Team was formed to redouble CGAP’s efforts to assist member donors in improving their effectiveness. The team focuses on improving donor practices in microfinance, building donor staff skills, and providing tailored services to different types of donors. (See “Donor Effectiveness” section on page 23.)

Staff changes were minimal in the past fiscal year. Two new members joined CGAP in Spring 2002: Alexia Latortue joined the Donor Team and Peggy McNerny became Communications and Publications Officer. Patricia Mwangi went on leave in May 2002 and will return to the Microfinance Industry Team in October of this year.

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*“Over the past year, PAG members actively contributed to a CGAP-led effort to develop broadly applicable poverty indicators for MFI clients.”*

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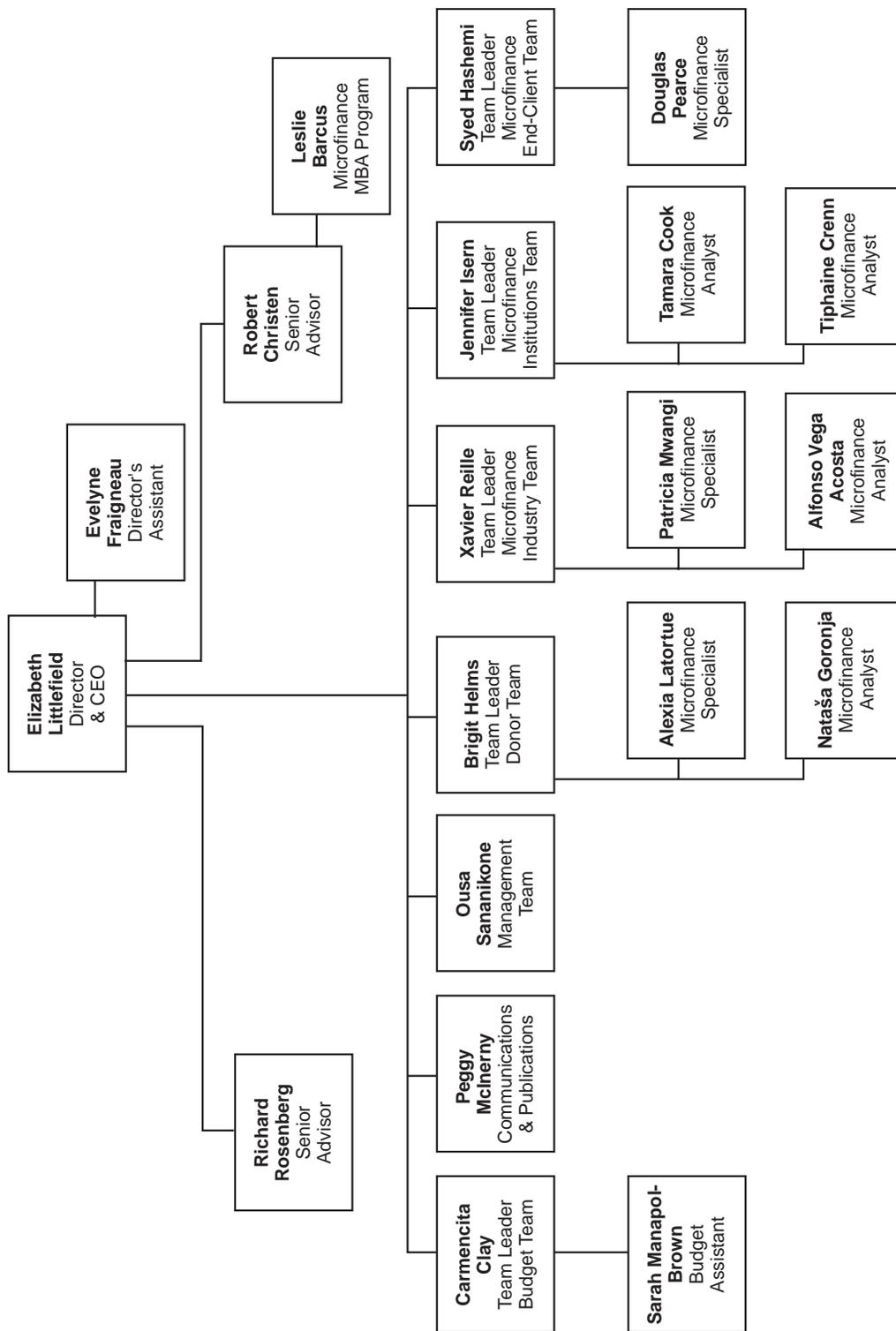
#### **CGAP EVALUATIONS**

CGAP underwent three major evaluations in fiscal year 2002. The first examined the performance of CGAP in its second phase to determine whether its funding should be renewed after 2003. The evaluation was conducted by a team of independent external evaluators engaged by the Consultative Group and overseen by the Excom.

The independent evaluation formed the basis of the CG decision in April 2002 to renew its mandate for an additional five years. The CG concurred with the evaluation’s conclusion that the global microfinance industry continues to need donor support and that CGAP has a unique and major role to play in assisting its development, especially in those areas where collective action is critical.

The second evaluation was an audit conducted by the Internal Audit Department of the World Bank to verify that CGAP’s procedures, internal controls, and monitoring systems complied with the administrative guidelines of the Bank’s Development Grant Facility (DGF). Established in 1997, the DGF manages the World Bank’s

Figure 1. CGAP Organizational Chart, June 2002



grant-making activities. The CGAP audit received the highest possible rating.

The third and ongoing evaluation is part of a larger, comparative review undertaken by the World Bank's Operations Evaluation Department (OED). The purpose of the OED review is to evaluate the effectiveness of the Bank's involvement in 70 global programs and to derive strategic and operational lessons for continued Bank support. As part of this review, the OED is conducting in-depth case studies of 28 of these programs, of which CGAP is one.

### DONOR COMMITMENTS TO CGAP

Over the past several years, CGAP has sought to diversify its funding as contributions from the World Bank are reduced over time. Additional funding from non-Bank members will, in fact, be crucial to future World Bank funding through the DGF. Total non-World Bank donor funding accounted for 43 percent of total CGAP funding

in the past fiscal year, a considerable increase from the 35 percent funding level in FY2001 (see Table 4).

*“The CG concurred with the conclusion of an independent evaluation that the global microfinance industry continues to need donor support and that CGAP has a unique and major role to play in assisting its development, especially in those areas where collective action is critical.”*

Over the past two years, CGAP member donors have increased their contributions to the core CGAP budget, with several members making cash contributions for the first time. The Asian Development Bank made its first budget contribution of US\$ 250,000 in FY2002. Similarly, the United Kingdom made an initial contribution of US\$ 400,000 in FY2002. Also in FY2002,

**Table 4: CGAP Member Donor Budget Commitments, FY2001-2003 (in US Dollars)**

	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>
World Bank	7,500,000	7,125,000	6,725,000
Australia	323,576	668,689	
Argidius Foundation		100,000	100,000
Asian Development Bank		250,000	250,000
Belgium	262,430	222,575	
Canada	341,724	323,576	318,188
Denmark	250,000	360,317	360,317
Ford Foundation		200,000	200,000
Finland	235,689		239,365
France <sup>1</sup>		133,980	149,670
Germany	174,538	354,880	180,189
IFAD		300,000	
Italy	278,747	462,332	
Japan	300,000	300,000	
Luxembourg	270,177		
The Netherlands	399,690	406,224	401,277
Norway	341,746	334,934	330,677
Sweden	293,542	281,653	293,542
Switzerland	300,000	399,975	400,000
United Kingdom <sup>2</sup>		400,000	400,000
United States	300,000	400,000	815,000
<b>Total</b>	<b>11,571,859</b>	<b>13,024,135</b>	<b>11,163,225</b>

<sup>1</sup> France funded the cost of one CGAP staff member in FY01 (approximately US\$ 153,280).

<sup>2</sup> The United Kingdom funded 50% of the poverty team (US\$ 150,000) for both FY2000 and FY2001.

Shaded - pledged but not received.

AusAID more than doubled its contribution to US\$ 668,689, Switzerland raised its contribution by US\$ 100,000 to US\$ 399,975, Denmark raised its contribution by US\$ 110,000 to US\$ 360,317, Italy raised its contribution by almost US\$ 200,000 to US\$ 462,332, and France made a cash contribution of US\$ 133,980.

A full history of member donor fiscal support to CGAP can be found in Annex 3.

### OPERATIONAL BUDGET

The operational budget of CGAP in fiscal year 2002 (July 1, 2001-June 30, 2002) was US\$ 9,172,800 (see Table 5). This budget, which does not reflect disbursement commitments made for future fiscal years, breaks down among CGAP's three major client groupings as follows: US\$ 4.6 million for microfinance institutions (of which US\$ 3.9 million represented grants and capacity-building services), US\$ 980,700 for member donors, and US\$ 2.3 million for the microfinance industry. Staff time was evenly spread across the three client groups. Approximately US\$ 1.1 million was allocated to

management, administration, CG and Excom meetings, and overhead.

The budget includes all costs associated with implementing CGAP's work, including disbursements to grantees; staff costs for technical assistance, training, technical tool development and testing; investment appraisal and monitoring; operational travel; meetings with the CG, Executive Committee, and PAG; fundraising costs; administrative support; and office costs. Staff costs are allocated to CGAP activities using a time recording system. For FY2002, costs for management, administration, CG and Excom meetings, and overhead comprised 12.2 percent of the total budget. These costs include staff costs not allocated to projects, office rent, and office expenses. ■

**Table 5. CGAP Operational Budget, Fiscal Year 2002**  
(in 000s of US Dollars)

	<b>Total FY02 Budget</b>
<b>Microfinance Industry</b>	<b>2,254.9</b>
Technical advice and exchange	579.6
Training and capacity building	274.3
Tools and services	1,401.0
<b>Financial Institutions</b>	<b>4,568.5</b>
Technical advice and exchange	625.1
Training and capacity building	1,812.9
Tools and services	51.1
Grants to MFIs	2,079.3
<b>Member Donors</b>	<b>980.7</b>
Technical advice and exchange	711.3
Training and capacity building	103.2
Tools and services	166.2
<b>Publications</b>	<b>247.6</b>
<b>Management, Administration, CG/Excom Mtgs, Overhead</b>	<b>1,121.1</b>
<b>Grand Total</b>	<b>9,172.8</b>



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## CGAP SERVICES & ACTIVITIES

As a service provider for the microfinance industry, CGAP supports the work of microfinance providers, government policymakers, regulators, supervisors, donors, and other service providers by:

- building standards together with other actors
- developing technical tools
- delivering customized training (see Box 2)
- providing strategic advice and advanced technical services
- undertaking action research
- cofunding MFIs and networks with CGAP member donors
- disseminating information on innovations, good practice, and recent research

This section provides an overview of CGAP activities in fiscal year 2002. Subsequent sections are then devoted to the themes that characterized CGAP's work over the past year: donor effectiveness, financial transparency, enabling policy frameworks, poverty outreach, and institution building.

### ACTIVITY HIGHLIGHTS 2001-2002

Fiscal year 2002 saw CGAP concentrate its efforts in three major areas. First, CGAP redoubled its focus on donor effectiveness in microfinance, as demonstrated by the creation of a new Donor Team, an ambitious aid effectiveness initiative, and the decision to open an office in Paris. The primary objective of the new office, authorized by the CG in April 2002, will be to improve CGAP services to member donors headquartered in Europe (17 of 29 members).

Second, CGAP continued to devote major resources to encouraging greater transparency on both the financial performance and poverty outreach of MFIs. One major accomplishment in this area was the incorporation in June 2002 of a new non-profit organization, the Microfinance Information eXchange (MIX, see page 27), to facilitate greater commercial investment in microfinance and to promote meaningful performance benchmarks for MFIs.

Another major accomplishment in this area was the launching of the Client Targeting Centre in November 2001, an online resource that provides information on targeting tools and a platform for MFIs to share their experiences with using these tools. Further work on poverty outreach included a CGAP initiative to develop industry consensus on simplified indicators for measuring MFI client poverty levels.

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*“In the past year, CGAP redoubled its focus on donor effectiveness in microfinance, as demonstrated by the creation of a new Donor Team, an ambitious aid effectiveness initiative, and the decision to open an office in Paris.”*

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Third, CGAP devoted concerted attention in the past year to opening up the boundaries of microfinance by working with new actors, promoting the development of innovative products, and encouraging the application of new technologies. CGAP projects and support in this area encompassed partnerships between MFIs and insurance companies (SEWA, India), and funding of MFIs offering new products such as transfer payment services (Jamaican Cooperative Credit Union League, Jamaica; Organización de Desarrollo Empresarial Femenino, Honduras), share purchase funds (Lift Above Poverty Organization, Nigeria), and primary health care services (PACT Institute, Myanmar).

CGAP also took concrete steps in the past year to spin off initiatives that have been incubated at CGAP and are ready for greater industry ownership and participation. Two CGAP initiatives were thus transferred to the MIX; the Pro-Poor Innovation Challenge grant program will soon be handed over to the International Fund for Agricultural Development; and CGAP's capacity-building program began to develop new types of partnerships to expand availability of quality training for MFI staffs worldwide.

From transparency initiatives to poverty outreach to donor training, CGAP works in partnership with other organizations engaged in microfinance. These partnerships—with donors, scores of different service providers, microfinance networks, and practitioners—are crucial for supporting the efforts of others; leveraging CGAP's own resources; and developing more effective consensus guidelines, new product initiatives, and action research.

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*“CGAP also took concrete steps in the past year to spin off initiatives that have been incubated at CGAP and are ready for greater industry ownership and participation.”*

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In a continued effort to strengthen these partnerships and communications, CGAP organized regular informal sessions over the past year with international NGOs, service providers, and networks. Sessions were held with representatives of M-CRIL, CARE, ACCION, Freedom from Hunger, MEDA, Opportunity International, Results, Save the Children, SEEP, Shorebank, and many others. CGAP extends an open invitation to any interested organizations traveling through Washington to arrange similar sessions. These meetings are an essential complement to regular CGAP consultations with the industry, which range from active informal email and other feedback to formal input sought through such exercises as the Microfinance Visionary Showcase (see Annex 4).

## INFORMATION DISSEMINATION

CGAP is dedicated to disseminating knowledge and information about contemporary microfinance to the broadest possible public via the Web and printed publications.

### Microfinance Gateway

The Microfinance Gateway ([www.microfinance-gateway.org](http://www.microfinance-gateway.org)) is a public forum for the microfinance industry at large. Designed to serve the changing needs of the industry, the Gateway allows practitioners to contribute thought pieces, post publications, publicize conferences and training workshops, debate current issues, and look for employment or consultants. Two years after its launch, the Gateway has become the most comprehensive source of information on microfinance on the Web, with over 11,000 individual users and approximately 400,000 hits a month.

Weekly Gateway Highlights this year offered short pieces on Islamic banking, responses to a *Wall Street Journal* article on the Grameen Bank, the state of regulation and supervision in Latin America, and the history of microfinance in Indonesia. Viewpoints—short thought pieces intended to generate debate among microfinance experts—published this year included a capital vs. capacity debate (“Water, Water, Everywhere, But Not a Drop to Drink”) and an essay on the distinction between microcredit and microfinance.

Several new features were added to the Gateway in fiscal year 2002. First, a text-only option and

### Box 2. CGAP Training Initiatives

CGAP delivers a variety of technical training, both directly and in conjunction with partner institutions. The goal of all CGAP training is to enhance the knowledge and operational efficiency of different institutional actors in microfinance.

- The CGAP *Capacity Building Program* seeks to build local institutional capacity to provide operational training and technical assistance to MFIs worldwide.
- The *Microfinance MBA Program* is a joint venture with the Soros Foundation that intends to build microfinance specialties in graduate business programs of universities in the developing world.
- *CGAP Donor Training* aims to enhance the skills and knowledge base of donor staff to encourage the implementation of good practice in microfinance programming.
- *Regulatory and Service Provider Training* provides targeted training to government regulators and accounting professionals on microfinance practice.

streamlined navigation were introduced to improve access in countries with slower internet connections. Second, new features such as an archive of postings from the Devfinance discussion group were added. Third, the consultant database was redesigned, making it easier to input, update, and access the resués of microfinance experts.

Finally, two new Resource Centres were launched on Client Targeting and Microinsurance, and new features were added to the Information Systems Centre (see Annex 4 for details).

### CGAP PUBLICATIONS

CGAP produces a variety of publications intended to disseminate new research, best practices, and innovative ideas in microfinance. New publications released in fiscal year 2002 were

- *Apex Institutions in Microfinance* (Occasional Paper N° 6)
- *Developing Deposit Services for the Poor: Preliminary Guidance for Donors* (Consensus Guideline, draft version, April 2002)
- *Financial Transparency: A Glossary of Terms*
- *Focus on Financial Transparency* (CGAP Update Brochure)
- *Microcredit: One of Many Intervention Strategies* (Donor Brief N° 2)
- *Microfinance Donor Projects: 12 Questions about Sound Practice* (Donor Brief N° 1)
- *Microfinance Glossary: English-Spanish* (draft version, August 2001)

- *A Multilateral Donor Triumphs over Disbursement Pressure: The Story of Microfinance at Banco do Nordeste in Brazil* (Focus Note N° 23)
- *Product Costing Tool* (Technical Tool N° 6, draft version, March 2002)
- *Resource Guide for Microfinance Assessments* (Focus Note N° 22)
- *Savings Are as Important as Credit: Deposit Services for the Poor* (Donor Brief N° 4)
- *Sistemas de información gerencial para instituciones de microfinanzas: Guía práctica* (Spanish translation of *Handbook for Management Information Systems*)
- *Using Microfin 3.0: A Handbook for Operational Planning and Financial Modeling* (CGAP Technical Tool N° 2)
- *Water, Water Everywhere, But Not a Drop to Drink* (Donor Brief N° 3)

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*“Two years after its launch, the Microfinance Gateway has become the most comprehensive source of information on microfinance on the Web.”*

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See Annex 4 for descriptions of the above publications, as well as a comprehensive list of CGAP publications to date. ■

#### Box 4. An Overview of CGAP Publications

**Focus Notes** provide short overviews of current topics and trends in microfinance. Many summarize longer research by microfinance experts or describe lessons learned from CGAP projects.

**CGAP Update Brochures** detail activities undertaken by CGAP in such areas as poverty outreach, poverty assessment, and transparency in microfinance.

**Consensus Guidelines and Glossaries** are documents developed in cooperation with other organizations working in microfinance and are intended to establish standards in microfinance. Guidelines and glossaries are published in final form only after consensus is reached among industry players.

**Donor Briefs** are two-page publications that summarize major issues relevant to microfinance donors with a list of recommended references.

**Occasional Papers** are in-depth, analytical treatments of microfinance topics intended for specialists.

**Technical Tools**, some of which feature software, are handbooks intended to provide practitioners and donors with specific technical skills in microfinance. Tools cover such functional areas as business planning, MIS selection, audits, and evaluation. CGAP first publishes tools in draft form, after which they are pilot tested for one to two years before being finalized.

## Box 3. Collaboration with Other Microfinance Organizations in 2001-2002

Over the past year, CGAP worked with a range of organizations and consultants worldwide, from MFI grant recipients to international and regional MFI networks, central bankers, rating agencies, and banks. The institutions below comprise a partial listing of the organizations with which CGAP collaborated in 2001-2002 on such activities as joint research, MFI ratings and evaluations, training, consensus guidelines, and technical assistance.

2CS, Sénégal	Center for Microfinance, Nepal
ACCION, USA	Central Bank of the Philippines, Philippines
ACEP, Sénégal	(Central) Bank of Tanzania, Tanzania
Acclaim Africa, Ltd., Uganda	(Central) Bank of Uganda, Uganda
ACME, Haiti	(Central) Bank of Zambia, Zambia
ACNABIN, Bangladesh	Centre for Self-Help Development, Nepal
ADOPEM, Dominican Republic	CERISE Network, France
AFCAP, Eastern/Southern Africa	CFTS (Cashpor), India
AFMIN, Côte d'Ivoire	Cooperative Housing Foundation, Romania
Africap, Sénégal	China Microfinance Training Center, China
Aga Khan Foundation, USA	CIDR, France
Agricultural and Rural Development for Catanduanes (ARDC), Philippines	Cities Alliance, USA
Agrocapital, Bolivia	Citigroup Foundation, USA
Ahantaman Rural Bank, Ltd., Ghana	CMM Bogotá, Colombia
AISFD-CI, Côte d'Ivoire	CMM Medellín, Colombia
Al Amana, Morocco	Compartamos, México
ALAFIA, Bénin	Constanta Foundation, Georgia
Alternativa Solidaria Chiapas, México	CRECER, Bolivia
ANIP/MF, Niger	CrediFundes, Panama
APIDEC, Burkina Faso	CRISIL, India
APIFM, Madagascar	CSBF, Madagascar
APIM, Mali	CYSD, India
APIMFT, Togo	Development Alternatives International, USA
Appui au Développement Autonome, Luxembourg	DAI FINNET, Haiti
AQUADEV, Burkina Faso	Day, Berry, and Howard Foundation, USA
AREGAK, Armenia	Deloitte & Touche - ILA Africa, South Africa
Argidius Foundation, The Netherlands	Deutsche Bank, Germany
Association for Social Advancement, Bangladesh	Développement International Desjardins, Canada
Asociación de Consultores para el Desarrollo de la Pequeña, Mediana y Microempresa, Nicaragua	D-FRIF (Fundación Diaconia), Bolivia
Asociación Mexicana de Uniones de Crédito del Sector Social, México	DIS, Morocco
ASSIST, India	Doen Foundation, The Netherlands
Banco do Nordeste, Brazil	Doveriye, Russia
BancoSol, Bolivia	Ebony Consulting International, South Africa
Bank Dagang Bali, Indonesia	EDA Rural Systems, South Asia
BASIX, India	EDPYME Confianza, Peru
BCEAO (West African Central Bank), West Africa	EDPYME Crear Tacna, Peru
Besa Foundation, Albania	EDPYME Edyficar, Peru
Blue Orchard, Luxembourg	Facet B.V., Netherlands
Bolivian Superintendency of Banks, Bolivia	FAO Microbanker, Italy
BRAC, Bangladesh	Faulu Uganda Limited, Uganda
BRI-International Visitors Program, Indonesia	FENECOAC (Guatemalan Credit Union Federation)
BTFF, Kyrgyzstan	FECECAM, Bénin
Cabinet Remix, Sénégal	Fern Computer, Ireland
Caja Los Andes, Bolivia	FIE S.A., Bolivia
CAPAF, Sénégal	Fin Rural, Bolivia
CARD Bank, Inc., Philippines	FINCA, USA
CARE, USA	FinComun, México
CASHPOR, Inc., Malaysia	Fineline Systems & Management, Ltd., Kenya
Catholic Relief Services, USA	Fitch Bolivia, Bolivia
CBDIBA-ONG, Bénin	FMM Bucaramanga, Colombia
Credit Development Forum, Bangladesh	FMM Popayan, Colombia
Centenary Rural Development Bank, Uganda	FNMF, France
	FONDEP, Morocco
	Fondesa, Dominican Republic
	Foundation for Development Cooperation, Australia

## Box 3. Collaboration with Other Microfinance Organizations in 2001-2002

Freedom from Hunger, USA	People's Reconstruction Movement, India
Fundación WWB-Colombia, Colombia	Perbarindo, Indonesia
FUNDAPRO, Bolivia	Philippine Network for Helping the Hardcore Poor, Inc., Philippines
GRET, France, Cambodia	PlaNet Finance, France
GTZ, Germany	Praden, India
Horus, France	PriceWaterhouseCoopers, Inc., South Africa
Horizonti, Macedonia	PRIDE Formation, Guinea
IASC, India	Prism Research, Bosnia and Herzegovina
ICMIF, UK	Prisma, Nicaragua
International Monetary Fund, USA	PRIZMA, Bosnia and Herzegovina
INDNET, India	PRO MUJER, Bolivia
Indonesia Central Bank, Indonesia	Prodem, Bolivia
Institute for Motivating Self-Employment, India	Project Dungganon (NWTF), Philippines
Institute of Development Studies, UK	PROMUC, India
International Capital Corporation, South Africa	Punla sa Tao Foundation, Philippines
International Training Solutions, South Africa	RaboBank, The Netherlands
IRIS, University of Maryland, USA	Rashtrya Seva Samithi, India
Jamaican Cooperative Credit Union League, Jamaica	Red Cross, Switzerland
Kadale Consultants, Ltd., Malawi	Reserve Bank of India, India
KAFO-JIGINEW, Mali	Results, USA
Kashf Foundation, Pakistan	RFF, Albania
Katalysis Partnership, USA	Rockdale Foundation, USA
KCLF, Kazakhstan	Rural Finance Corporation, Moldova
K-Rep Advisory Services, Ltd., Kenya	Rural Finance Facility, South Africa
Lift Above Poverty Organization, Nigeria	SafeSave Coop, Bangladesh
Local Enterprise Assistance Program, Liberia	Save the Children International, USA
Loan Performer, Uganda	SEEDS, Sri Lanka
M & N Associates, Ltd., Zambia	Self-Employed Women's Association, India
MADE, Haiti	SHARE, India
Masawe Ernst & Young, Tanzania	SIEM Corporación, Costa Rica
M-CRIL, India	Sinapi Aba Trust, Ghana
Mibanco, Panama	SKDRDP, India
MicroBanking Bulletin, USA	SKS, India
Microfin, USA	Small Enterprise Education and Promotion Network, USA
Microfinance Academy, Cameroon	Small Enterprise Foundation, South Africa
Microfinance Centre, Poland	Small Industries Development Bank of India, India
MicroFinance Group, Pakistan	SNEHA, India
MicroFinance Network, USA	Soft Corporación, Guatemala
Microfinanza, Italy	Software Strategies, Kenya
MicroFund for Women, Jordan	South Asia Research Society (SARS), India
MicroRate, USA	Swayamkrushi Women's Development, India
MicroSave-Africa, Kenya	Taytay Sa Kauswagan, Inc., Philippines
Millennium Consulting Group, Malawi	Temir Bank, Kazakhstan
Mision Alianza, Peru	Tenemos, UK
Naropa University, USA	Triodos, The Netherlands
National Rural Support Program, Pakistan	Uganda Microfinance Union, Uganda
Nirdhan Utthan Bank, Ltd., Nepal	Uganda Public Accountant Association, Uganda
Nsoatreman Rural Bank, Ghana	UMUCS, México
Oikocredit, The Netherlands	University of Natal, South Africa
Open Society Institute, USA	Vulindlela, South Africa
Opportunity International, UK, USA	WAGES, Togo
Organización de Desarrollo Empresarial Femenino, Honduras	Washington University in Saint Louis, USA
PACEF, Cameroon	Weidemann and Associates, USA
Pacific Credit Rating, Peru	Women Economic Empowerment Consort, Kenya
Pact, Myanmar, Nepal	Women's World Banking International, USA
Padakhep Manabik Unnayan Kendra, Bangladesh	World Council of Credit Unions (WOCCU), USA
Pakistan Poverty Alleviation Fund, Pakistan	World Relief International, USA
Panamanian Superintendency of Banks, Panama	World Vision International, USA
Partner, Bosnia and Herzegovina	XacBank, Mongolia
Partneri Shqiptar ne Mikrokredit, Albania	Youth Self Employment Foundation, Tanzania
	Zakoura Foundation, Morocco
	Zambuko Trust (Pvt), Ltd., Zimbabwe



Man carrying sheep, India. (© 1985, The Word Bank Photo Library/Curt Carnemark.)

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## DONOR EFFECTIVENESS

**D**ONORS remain the single most important source of external funding for microfinance today, although savings and other domestic funds are gaining prominence. Over the past six years, CGAP has placed strong emphasis on promoting messages related to sound donor practices among its member donors, achieving consensus on core issues and strengthening relationships between member donors and CGAP staff. Yet many donors continue to face challenges to good practice, including disbursement pressures, staff rotations, and funding mechanisms ill-suited for promoting sustainable financial services to the poor.

CGAP's works with member donors to improve their effectiveness, efficiency, and accountability by

- (i) building on and catalyzing a sense of urgency and commitment to better microfinance programming;
- (ii) supporting donor staff to promote organizational changes within their agencies necessary to apply good practices in microfinance; and
- (iii) encouraging mutual support and cross-learning among donor agencies with responsive, appropriate, and high-quality information, training, and technical assistance services.

### DONOR PEER REVIEWS

In early 2002, DFID and CGAP combined efforts to tackle aid effectiveness using microfinance as a test case. The initiative entails coordinating donor-led peer reviews of 21 multi- and bilateral donor agencies through mid-2003. The reviews concentrate on the institutional policies, practices, and processes of each donor institution and include on-site visits to field and headquarters operations.

Peer reviews help donor agencies identify the success factors and constraints to effectiveness that influence their microfinance operations. Although microfinance is the technical focus of the reviews,

analysis of the *modus operandi* of the various agencies is expected to be applicable to other areas of development assistance.

Outputs of the peer reviews are specific, practical proposals to the top management of each agency on how to improve its aid effectiveness in microfinance. In addition to recommendations to individual agencies, CGAP prepares synthesis documents comparing the results of three to four reviews at a time. These documents are then circulated among participating agencies.

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*“Peer reviews help donor agencies identify the success factors and constraints to effectiveness that influence their microfinance operations. Although microfinance is the technical focus of the reviews, analysis of the modus operandi of the various agencies is expected to be applicable to other areas of development assistance.”*

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### TECHNICAL SUPPORT

At the request of its member donors, CGAP regularly provides technical input on the design of donor microfinance projects, contributes to technical documents, and reviews proposed country-level regulations affecting microfinance.

### WORLD BANK

Due to the size and significance of World Bank Group microfinance funding, CGAP's location in the Bank, and the opportunity for learning lessons applicable to other donors, CGAP continues to work closely with the Bank and the IFC on microfinance.

In fiscal year 2002, CGAP staff contributed to the World Bank Poverty Reduction Strategy Paper (PRSP) Sourcebook, numerous specific country PRSPs, several project appraisals and Country Assistance Strategies (CAS), and an operational note on rural development and rural microfinance.

### Box 5. Peer Reviews – Progress to Date

Six peer reviews are scheduled for completion by September 2002. UK Secretary of State for International Development Clare Short will host a meeting then with CGAP and several high-level officials of its member donors to discuss the results, emerging lessons, and follow-up actions flowing from these reviews. Agencies reviewed by that date will include:

- African Development Bank
- Asian Development Bank
- UK Department for International Development
- International Fund for Agricultural Development
- Norwegian Agency for Development Cooperation
- Swedish International Development Cooperation Agency

Another four agencies (KfW, AFD, UNDP/UNCDF, World Bank) are scheduled for reviews by year-end 2002, and an additional eleven agencies have expressed interest in participating in reviews expected to conclude by mid-year 2003: AusAID, CIDA, DANIDA, DGDS (Italy), EBRD, EC, ILO, JBIC, the Ministry of Foreign Affairs of the Netherlands, SDC, and USAID. (See inside back cover of this report for a glossary of acronyms.)

Other technical advice included a review of microfinance and rural finance projects in Afghanistan, Bulgaria, El Salvador, Eritrea, East Timor, Ghana, Kazakhstan, Mali, Malawi, Mexico, Nicaragua, Pakistan, the Philippines, Sri Lanka, and Tajikistan.

CGAP staff also gave several formal and informal briefings on microfinance to Bank staff and management, including a detailed presentation to the Board of Executive Directors.

#### OTHER MEMBER DONOR CONSULTATIONS

At their request, CGAP assists donors in designing better microfinance policies and programs. In addition to the peer reviews, CGAP over the past fiscal year provided advisory inputs to GTZ (Indonesia, India, and headquarters), AfDB, CIDA, AsDB, ILO (STEP program and headquarters), DFID, Finnida, USAID (headquarters and field offices), SIDA, AFD, EBRD, SDC, the EC, and national and regional donors in West Africa and India.

#### IN-COUNTRY DONOR COORDINATION

Over the past fiscal year, CGAP has worked with donor coordination groups in West Africa, Asia, Central Asia, and Latin America. Four examples are described below.

*Afghanistan:* In late 2001, the World Bank approached CGAP for advice on microfinance in Afghanistan. Based on additional interest by other

member donors and the IMF, a CGAP staff member and consultant traveled to Afghanistan in April 2002 to meet with donors and the Afghan government, as well as to participate in a World Bank financial sector mission. CGAP's advice was to establish a multidonor facility that would coordinate donor funding for microfinance. The recommendation is circulating among interested member donors and CGAP will remain involved in the project throughout the design phase.

*Cambodia:* At the request of several member donors, including AFD, AusAID, GTZ, and the World Bank, CGAP undertook an analysis of the microfinance sector in Cambodia in June 2002. Intended to assist donor microfinance programming in the country, the report recommends that donors greatly enhance their coordination in order to strengthen MFI institutional capacity, promote financial transparency, and support the structuring of the sector as a whole through, for example, creation of an MFI association, a credit bureau, or market evaluation studies.

*Indonesia:* In early 2002, CGAP held a series of meetings with local representatives of the World Bank, GTZ, USAID, and AusAID to share information and coordinate approaches on supporting the microfinance sector in Indonesia, particularly with respect to MFI training. CGAP is currently working with USAID and GTZ to coordinate a Training of Trainers workshop for CGAP courses.

*Tajikistan:* CGAP led a short microfinance seminar in Dushanbe in February 2002 with support from USAID. Locally-based donors then formed a Donor Working Group for Tajikistan, including AsDB, Aga Khan Development Network (AKDN), Eurasia Foundation, GTZ, IFC, OSI, USAID, World Bank, and the UNDP. With support from USAID and the Open Society Institute (OSI)/Soros Foundation, CGAP also conducted an assessment of the microfinance sector in Tajikistan that has since been used by several donors as a reference for programming design.

### APPRAISAL AND MONITORING SERVICE

CGAP member donors provide hundreds of millions of dollars for microfinance each year. Given limited technical staff and mechanisms for identifying promising opportunities, however, many donors encounter difficulties in identifying institutions to support. At the same time, many microfinance organizations manage multiple relationships with donors who often require different reporting periods, information, and conditions.

In response to the needs of both groups—donors and microfinance organizations—CGAP launched its Appraisal and Monitoring Service in 2001. This service coordinates joint appraisals of microfinance organizations by interested donors, then facilitates a consortium approach to funding by consolidating reporting and monitoring requirements. (See page 42 for consortium investments made in fiscal year 2002.)

### TRAINING

CGAP provides training to donor staff involved in microfinance to build their skills and impact donor policies and practices. Its week-long “Appraising a Microfinance Institution” course was offered this year at the African Development Bank in Abidjan and at DANIDA in Copenhagen.

Other CGAP donor training in fiscal year 2002 included participation in a “Microfinance and Poverty Reduction Workshop” at CIDA; a specialized course for NORAD staff and NGOs in Oslo; and a seminar on the CGAP Poverty Assessment Tool for IFAD staff.

*UNCDF/SUM Courses:* UNCDF/SUM delivered the five-day workshop “From Donations to Investments: Donors and Sustainable Microfinance” in Cambodia in November 2001 and in Uganda in March 2002. CGAP supported these courses with funding and CGAP faculty.

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*“Based on the interest of its member donors and the IMF, CGAP staff met with donors and the Afghan government in April 2002. CGAP’s advice was to establish a multidonor facility that would coordinate donor funding for microfinance.”*

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### DONOR INFORMATION RESOURCE CENTRE

In Spring 2002, CGAP began to lay the foundations for an online Donor Information Resource Centre. The centre will contain concise, relevant, and up-to-date information in the form of downloadable Donor Briefs (see Annex 4), training modules, ready-to-use Powerpoint presentations on topics in microfinance, donor good-practice case studies, and other microfinance publications.

### WORKING GROUPS

CGAP provides administrative and technical support to three Working Groups of its member donors.

*Savings Mobilization:* The savings mobilization working group, chaired by MicroSave Africa, plans to define next steps for implementing the recently updated draft *Developing Deposit Services for the Poor: Preliminary Guidance for Donors*.

*Microinsurance:* The ILO chairs this CGAP working group, which documents good practices in microinsurance. A meeting of the working group was held in Geneva in March 2002 at which representatives of several CGAP donors and microinsurance experts outlined an initial work plan.

*Public Banks:* The former working group on agricultural development bank reform has switched its focus to examining how microfinance can be provided through state-owned banks via their existing branch systems and infrastructure. GTZ chairs the working group on public banks. ■



Woman sorting grains, Andes Mountains, Ecuador. (© 1974, The Word Bank Photo Library/Edwin G. Huffman.)

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# FINANCIAL TRANSPARENCY

**P**UBLICLY available and comparable information on the financial performance of microfinance institutions is a core building block for the microfinance industry. MFI managers, donors, and potential investors need such information to assess and compare the performance of institutions and to attract the commercial funds necessary to scale up microfinance. Today, however, most financial information published by MFIs is unreliable, auditors are not well-versed in microfinance operations, and MFIs apply varied and incomplete reporting standards.

Promoting transparency in microfinance is a cornerstone of CGAP's work. In the past year, CGAP provided technical tools and services for financial transparency all along the information chain, from MFI management information systems through audits, supervision, performance benchmarking, and, finally, to ratings and evaluations. These efforts included forming a new non-profit organization to house some of these initiatives, completing the consensus guidelines on minimum financial disclosure, and developing tools and funds to build the market for independent ratings and evaluations of MFIs.

## THE MICROFINANCE INFORMATION EXCHANGE (MIX)

In June 2002, CGAP joined with the Rockdale Foundation, the Open Society Institute (OSI), Citibank, Deutsche Bank, and other organizations to incorporate a non-profit organization, the Microfinance Information eXchange (MIX). The MIX will integrate two CGAP transparency initiatives: the MIX Market, developed over the past

year and a half on the basis of UNCTAD's Virtual Microfinance Market and the *MicroBanking Bulletin (MBB)*, which was created by Robert P. Christen and has been funded by CGAP since its inception.

The MIX seeks to improve MFI performance by building a credible market infrastructure that links microfinance institutions worldwide with investors and donors.

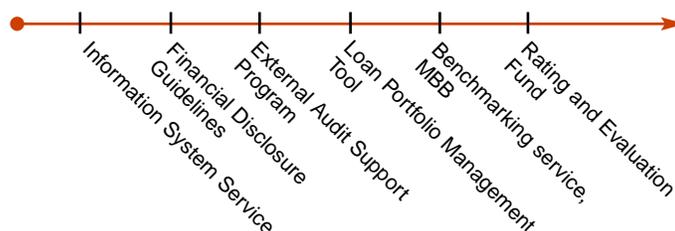
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*“Promoting transparency in microfinance is a cornerstone of CGAP’s work. In the past year, CGAP provided technical tools and services for financial transparency all along the information chain.”*

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Building the MIX system, collecting and verifying data, and integrating the MIX with the MBB has been a major undertaking for CGAP in fiscal 2002, involving three full-time staff and consultants. Shifting these projects to a jointly funded private company is consistent with CGAP's strategy of incubating initiatives and then bringing in other players to take them forward. This leverages CGAP funds and technical resources invested to date, promotes broader industry ownership of the services, and fosters new partnerships with important actors in microfinance. The choice of private sector partners also sends a positive signal about the future role of private capital in microfinance. CGAP will manage the MIX for the next three years, after which it is hoped that its transformation to a fee-based, independent organization will be complete.

Figure 2. CGAP Initiatives in Financial Transparency



*The MIX Market:* The MIX Market (MM) is a Web-based service designed to bridge the information gap in microfinance by providing detailed information on both supply (donors/investors) and demand (MFIs) for funding. The service will feature financial statements, ratings, and assessments of MFIs; terms and conditions of funding from investors and donors; and country-level information regarding investment and microfinance regulations.

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***“By fiscal year-end 2002, the CGAP-IDB Fund had approved 45 MFIs from 23 countries in Asia, Central Asia, Eastern Europe, Latin America, and the Middle East for rating/assessments.”***

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*The MicroBanking Bulletin:* *The MicroBanking Bulletin* (MBB) provides a benchmarking service (the MicroBanking Standards Project) that collects and maintains financial and performance data on MFIs worldwide in a broad-based, confidential database. This data is collected and analyzed in partnership with international and local networks, who cooperate to disseminate the use of common formats, leverage project resources, and increase the number and variety of MFIs represented in the benchmarks.

The MBB provides MFI managers with confidential financial reports, including peer-group benchmarking, and publishes anonymous peer group data semi-annually. More than 150 MFIs currently participate in the project, making the MBB the primary reference for high-quality financial analysis and information on MFI financial performance.

#### **IDB-CGAP RATING FUND**

In 2001, CGAP and the Inter-American Development Bank (IDB) launched a joint Rating Fund to finance ratings and assessments of microfinance institutions by pre-qualified agencies. The objectives of the Rating Fund are to

- encourage demand from MFIs that want to know how they are performing financially,
- build a supply of competent rating and evaluation service providers at local and international levels; and

- facilitate private-sector funding by improving the quality and quantity of information on the performance of MFIs.

By fiscal year-end 2002, the Rating Fund had approved 45 MFIs from 23 countries in Asia, Central Asia, Eastern Europe, Latin America, and the Middle East for rating/assessments. Of the MFIs approved for funding, 97 percent will have their ratings publicly disclosed for the first time. The percentage of funding covered by the fund decreases with each subsequent rating update. MFIs can choose among eight microfinance rating/assessment agencies which have been pre-qualified to conduct ratings: ACCION (for non-ACCION affiliates), CRISIL, Horus, M-CRIL, Microfinanza, MicroRate, PlaNet Rating, and PCR. Rating reports are published on the Rating Fund section of the CGAP website.

Although CGAP approves organizations that conduct ratings under the auspices of the Rating Fund, it does not certify the ratings and evaluations themselves. Rather, it seeks to help build a market capable of determining the quality of ratings based on their utility to donors, investors, and MFIs.

To meet continued strong demand for ratings on the part of MFIs, the CGAP Investment Committee approved an additional US\$ 500,000 for the Rating Fund in May 2002. The IDB has approved US\$ 800,000 for ratings of MFIs in Latin America and other donors have also expressed interest in contributing to the Rating Fund. Activities of the Fund are expected to eventually taper off as MFIs and investors become increasingly aware of the benefits of extensive evaluations and assume a greater share of the costs.

*African MFI Evaluations:* CGAP provided financial and advisory support to an African MFI evaluation project funded by several European member donors of CGAP. Organized by ADA, a Luxembourg-based NGO, the project evaluated nine African MFIs in 2001. CGAP participated in the project steering committee and in a final workshop held in December 2001. The ADA experience and workshop recommendations have been incorporated into the work of the IDB-CGAP Rating Fund.

## CONSENSUS GUIDELINES

*Standard Definitions of Financial Ratios:* Experience has shown that a great deal of confusion has resulted when donors, MFIs, supervisors, and analysts use the same names for ratios that are computed very differently. An industry working group that included IDB, MBB, M-CRIL, MicroRate, PlaNet Finance, SEEP, USAID, and CGAP produced a final version of a standard definitions document in June 2002. Member donors of the CGAP Consultative Group will be asked to endorse the final document at their annual meeting in September 2002.

*Financial Statement Disclosure Guidelines:* Most MFI financial statements do not include sufficient information to allow a reader to judge the condition or prospects of the institution. Elaborated in consultation with practitioners and donors, the Financial Statement Disclosure Guidelines are intended to promote better financial reporting on the part of MFIs.

The preliminary guidelines were approved by the CG in 2000 and were pilot tested through June 2002. The consensus document will be published in final form in fiscal year 2003.

## OTHER TRANSPARENCY ACTIVITIES

*Management Information Systems (MIS) Support:* Most MFIs have poor information systems and lack guidance on how to select an MIS package that fits their organizational needs. In early 2001, CGAP developed the Information Service Resource Centre, a website that provides guidance on IS issues and offers consumer reports on commercially available IS packages.

The IS Resource Centre was enhanced in several ways during the past fiscal year. Three additional detailed reviews of information systems software for microfinance providers were added (Microbanking System EXTE, Bank 2000/Micromanager, and Cubis 2000); a discussion group moderated by an IS expert was launched with over 100 active users; and a new database of vendor-provided information on commercially available software packages was created.

## MFI EXTERNAL AUDIT SUPPORT PROGRAM

Over the past two years, CGAP has invested considerable effort in improving the quality of professional external audits of microfinance institutions. This has included developing an operational tool (*External Audit of Microfinance Institutions: A Handbook*), an online resource centre (the Audit Information Centre on the CGAP website), and specialized training materials for auditors. In fiscal year 2002, these existing resources were further developed and several seminars were also held.

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*“Experience has shown that a great deal of confusion has resulted when donors, MFIs, supervisors, and analysts use the same names for ratios that are computed very differently.”*

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*Seminar on Audits of Microfinance Institutions:* In conjunction with the Austrian Regional Development Bureau and the Institute of Certified Public Accountants of Uganda (ICPAU), CGAP offered a seminar on external audits of MFIs in November 2001. Held in Kampala, Uganda, the seminar was intended for a small group of senior auditors, but drew an overwhelming response and sold out to 120 participants. One of the key findings of the seminar was that most auditors are not yet aware that a professional audit of an MFI should focus more on field operations than on head office operations.

*Audits and Internal Monitoring Seminar:* Together with CARE, CGAP co-sponsored a workshop for senior-level internal auditors and finance staff of international NGOs in April 2002. Held in Washington, D.C., the workshop focused on strategies for internal controls and reporting risks for large, multisectoral programs with a microfinance component. ■



Farmer on carriage, Egypt. (Hisham F. Ibrahim/Getty Images.)

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## POLICY FRAMEWORK

**A**S new solutions are found for the delivery of financial products and services to the poor, and as these systems become more integrated into the overall financial systems of individual countries, policy and legal frameworks will need to adapt so that governments can play their appropriate role as facilitators, rather than direct providers of financial services for the poor. CGAP's goals in this area are to

- support a legal and regulatory framework that allows microfinance to develop a diverse range of institutions, promotes integration of microfinance into the national financial system, and safeguards poor people's money; and
- help to develop the technical expertise of government supervisory and regulatory authorities.

CGAP engages influential policymakers in individual countries, regional organizations, multilateral banks, and organizations such as the IMF and the US Treasury Department to sensitize them to issues in microfinance regulation and supervision. To date, CGAP's work in this area has been largely in response to demand rather than proactive, with many consultations occurring at the request of member donors.

Over the next several years and in response to member donor urging, CGAP will devote greater attention to promoting an enabling policy and regulatory framework through advisory services, training for central bankers and regulators, the development of operational tools, and participation in high-level consultation and policy roundtables regarding governmental policy and regulation.

### ADVISORY WORK

*National-Level Consultations:* During the past year, CGAP staff had substantial engagements with senior officials of a dozen countries in connection with proposed microfinance legislation. In November 2001, for example, CGAP responded to a request for comments on Panama's draft

microfinance bank law, met with the Superintendent of Banks to discuss it, provided a training session for superintendency staff, and made a public presentation about the law (which has since been approved). In response to official requests, CGAP also provided detailed comments on draft legislation in Afghanistan, Kyrgyzstan, Laos, Pakistan, and Zambia.

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*“CGAP engages influential policymakers in individual countries, regional organizations, multilateral banks, and organizations such as the IMF and the US Treasury Department to sensitize them to issues in microfinance regulation and supervision.”*

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*Consultations with Multilateral Organizations:* During the past year, CGAP increased its engagement with World Bank colleagues as they and client governments formulated microfinance policy in Country Assistance Strategy documents and Poverty Reduction Strategy Papers, providing comments on over a dozen country documents.

In Sierra Leone, CGAP supported the efforts of the World Bank and the AfDB to introduce a favorable policy environment for microfinance. In addition to coordinating an assessment of the microfinance sector in the country, CGAP provided recommendations to the government for reforming its approach to supporting microfinance. Building on this work, in the coming year CGAP will help facilitate a policy workshop on microfinance with the Sierra Leone government.

CGAP also developed a more active relationship with the International Monetary Fund (IMF), including several workshops for IMF staff and central bankers from developing countries, as well as consultations on the development of a banking law for Afghanistan.

*Regional Engagements:* CGAP held sessions on microfinance law and policy at several regional

conferences last year. Its most substantial regional engagement was with the West African Central Bank (BCEAO). In March 2002, CGAP and CIDA organized a seminar in Washington, D.C., for the BCEAO and representatives of key donors working in West Africa to discuss the state of microfinance and supervision in West Africa. Following the seminar, CGAP organized a visit to La Paz for the BCEAO to examine Bolivia's experience with regulation and supervision of MFIs and credit unions.

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*“The biggest challenge of supervising microfinance is to determine the soundness of a microcredit portfolio. While 90 percent of MFI business risk lies in its loan portfolio, the tools used by auditors and supervisors to test commercial bank loan portfolios are almost completely ineffective in determining the repayment performance of microloans.”*

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## PUBLICATIONS AND TRAINING

*Consensus Guidelines:* In the past year, CGAP continued work and consultations regarding consensus guidelines on microfinance regulation and supervision, which will be presented for adoption at the Consultative Group's September 2002 meeting.

*Loan Portfolio Management Tool:* The biggest challenge of supervising microfinance is to determine the soundness of a microcredit portfolio. While 90 percent of MFI business risk lies in its loan portfolio, the tools used by auditors and supervisors to test commercial bank loan portfolios are almost completely ineffective in determining the repayment performance of microloans. The industry does not yet have a published guide to microcredit portfolio testing.

With input from ACCION and MicroRate, CGAP has produced such a guide, which provides a detailed set of procedures for assessing microcredit portfolio quality at three different levels of thoroughness. The tool will be published after field



Woman leading water buffalo, China. (Corbis.)

testing in fiscal year 2003 and is expected to form the basis of training for banking inspectors.

*Training:* CGAP staff delivered seminars on the state of microfinance and regulatory and supervisory issues at the IMF during 2001-2002. For example, a module on microfinance has been introduced into an eight-week IMF policy training program for central bank representatives from French-speaking nations, attended this year by representatives from over 25 developing countries.

CGAP also continued to provide training on microfinance regulation for central bankers at the annual MicroFinance Training program in Boulder, Colorado (see page 41). The August 2001 program was attended by 15 central bankers; a two-week regulation course is planned for the program's July 2002 session. ■



Man painting, Bhutan. (© The World Bank Photo Library/Curt Carnemark.)



Outdoor meeting, Ghana. (© The World Bank Photo Library.)



Two women weaving, China. (©1994 The World Bank Photo Library/Curt Carnemark.)

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## POVERTY OUTREACH

**O**VER the past year, CGAP has continued its commitment to deepening the poverty focus of microfinance and has undertaken several initiatives to help expand the delivery of financial services to very poor and vulnerable people. Vastly expanded outreach to impoverished clients can only be achieved by understanding their diversity and varied financial needs and by developing new products that address those needs.

CGAP's work in the last year promoted greater transparency on the poverty levels of clients, encouraged innovations to improve MFI performance and expand the range of financial products offered by them, and included the broad dissemination of information on financial services for the very poor.

### CONSENSUS GUIDELINES AND OPERATIONAL TOOLS

*Poverty Indicators:* There has been an ongoing debate within the microfinance community regarding indicators used to identify poverty levels of clients. Dissatisfaction with the commonly used indicator of average loan size recently led to a renewed round of discussions on developing more appropriate indicators.

At the request of USAID and several MFI networks, CGAP in late 2001 initiated a dialogue on poverty indicators with other microfinance professionals. In February 2002, it organized a seminar to discuss existing tools for client targeting that showcased USAID's AIMS tools, the CASHPOR Housing Index, and SEF's Participatory Wealth Ranking. This was followed by a meeting to discuss potential indicators with a small group of practitioners, donors, and advocacy organizations. A set of simple, low-cost, generic indicators was subsequently developed by CGAP and has been circulated to these organizations for review. When consensus has been reached, the indicators will be published for broader dissemination within the industry.

CGAP intends to introduce these poverty indicators through industry information providers such

as the *MicroBanking Bulletin* and the Microfinance Information eXchange, and through donor agencies via reporting requirements for MFIs. While use of these indicators will be voluntary, it is expected that market pressure will encourage their widespread adoption.

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*“At the request of USAID and several MFI networks, CGAP in late 2001 initiated a dialogue on poverty indicators with other microfinance professionals.”*

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*CGAP Poverty Assessment Tool:* The CGAP Poverty Assessment Tool (PAT) uses statistically rigorous analysis to measure the poverty levels of microfinance clients. Developed in 2000 as a tool for donors to use in making investment decisions, it was tested the following year in seven countries. In 2002, at the request of the Microcredit Summit and the Institute for Development Studies in Sussex, it was used to determine client poverty levels of CRECER in Bolivia and Nyesigiso in Mali. Among donors, CIDA is planning to use the PAT for programs in the Philippines and Bangladesh, and IFAD is considering its use for programs in several countries.

### ENCOURAGING INNOVATION

#### Pro-Poor Innovation Challenge

Launched in May 2000, the Pro-Poor Innovation Challenge (PPIC) is a CGAP awards program targeted at less well-known MFIs that are strongly committed to reaching the very poor. To date, the program has completed four rounds of funding, with 24 MFIs in Africa, Asia, Eastern Europe, and Latin America collectively receiving a total of US\$ 1.1 million in funding (see Annex 5, Table 2, for a list of all PPIC awardees to date).

As part of its strategy to incubate programs that can later graduate to other organizations, CGAP will transfer the administration of the Pro-Poor Innovation Challenge program to IFAD in

Summer 2002. The next phase of the program will have a rural focus, in keeping with IFAD strategy and the expressed request of CGAP member donors to support innovations in rural finance.

*“Launched in May 2000, the Pro-Poor Innovation Challenge (PPIC) is a CGAP awards program targeted at less well-known MFIs that are strongly committed to reaching the very poor.”*

*PPIC Grantees in 2002:* Winners of the Fourth Round of the Pro-Poor Innovation Challenge were announced in late March 2002. The following 10 MFI programs were selected for their depth of outreach, innovation, and commitment to sustainability:

- **Asociación Mexicana de Uniones de Crédito del Sector Social, Mexico:** transfer payment services
- **Center for Microfinance, Nepal:** microinsurance service
- **Horizonti, Macedonia:** outreach within the Roma population
- **Jamaican Cooperative Credit Union League, Jamaica:** transfer payment services
- **Lift Above Poverty Organization, Nigeria:** development of a credit fund that will enable clients to purchase shares in profitable privatized companies



Man selling foods at market, Pakistan. (© 1994, The World Bank Photo Library/Jan Pakluski.)

- **National Rural Support Program, Hyderabad, Pakistan:** program for bonded laborers
- **Organización de Desarrollo Empresarial Femenino, Honduras:** development of system to channel transfer payments
- **PACT Institute, Myanmar:** extension of primary health care services
- **Rural Finance Corporation, Moldova:** development of banking links and introduction of non-cash operations to reduce risk and insecurity
- **Sinapi Aba Trust, Ghana:** development of impact monitoring system to improve poverty outreach and impact

*Case Studies of Pro-Poor Innovation Challenge Awardees:* Case studies of eight selected PPIC grant recipients were researched in FY 2001 to increase industry learning on poverty-focused programs. Programs being documented include those that have developed innovative products, as well as those that use specific methodologies for reaching vulnerable groups. CGAP anticipates that the studies, to be published by year-end 2002, will both demonstrate the possibility of providing financial services to very poor people and spark creative development of such programs.

#### RESOURCE CENTRES

*Client Targeting Centre:* Many MFIs have long argued that proactive targeting is essential to reach very poor and vulnerable groups. MFIs committed to serving this clientele often use explicit targeting techniques, including the housing index, participatory wealth ranking, means testing, and geographic targeting. CGAP launched the Client Targeting Centre on the Microfinance Gateway in November 2001 to provide information on these tools, encourage their use, and generate ideas on reaching the very poor. In addition to providing links to a range of targeting tools, the Centre also provides statistical information on the depth of outreach of different MFIs.

*Impact Assessment Centre:* CGAP has worked with the ImpAct Project based at the Institute of

Development Studies in Sussex, UK, and funded by the Ford Foundation, to create an Impact Assessment Centre on the Microfinance Gateway. The purpose of the Centre, to be launched in Fall 2002, is to promote understanding of how microfinance services improve the welfare of the poor and to assist MFIs to design impact assessment tools to improve their operations and services.

The Centre will provide technical support to practitioners on building impact assessment systems, link experts and academics to developments on the ground, and inform donors and policy-makers of the ways in which MFIs are improving the livelihood of their clients.

*Microinsurance Focus:* Poor people are extremely vulnerable to external shocks. Even when successful microfinance clients increase their incomes and household economic welfare, an illness or death in the family, a flood, drought, or theft can push them back into extreme poverty. Good microinsurance is increasingly seen as effective in mitigating such risks, yet experience with microinsurance is limited.

MFIs have a structured network of poor clients and well-established mechanisms to regularly collect small amounts of money. This comparative advantage, partnered with insurance expertise and professional service providers, can provide the foundation for extending insurance services to a wider market of the poor. To promote learning on good microinsurance practice, CGAP and the CGAP Working Group on Microinsurance in August 2001 launched *Microinsurance Focus*, a new online resource centre on the Microfinance Gateway. The centre offers such resources as a list of service providers that currently offer microinsurance, FAQs, an electronic document database, and links to related websites.

#### **ACTION RESEARCH: DIVERSE CLIENTS, DIVERSE PRODUCTS**

*Client Poverty Levels in West Africa:* Microfinance is thriving in West Africa, with more than 2.5 million people currently served by MFIs providing savings, credit, and other financial services. While some large institutions serve as many as 350,000 members, many institutions are very small, village-based

banks. In terms of the number of clients and/or members, credit unions are the dominant institutional model in the region, but many NGOs and associations also offer microfinance services.

In 2002, the West African Central Bank (BCEAO) and CGAP launched a joint study to analyze the clientele of these diverse institutions to better understand who is being reached, what services are being provided, and to what extent the mismatch between client financial needs and prevailing services excludes specific groups of the poor. In the past year, the methodology for the study was finalized, the first country and programs were selected, and a coordinator for the study was hired. Field research is slated to begin in September 2002.

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*“CGAP launched the Client Targeting Centre on the Microfinance Gateway in November 2001 to provide information on targeting tools, encourage their use, and generate ideas on reaching the very poor.”*

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*Housing Microfinance:* CGAP is actively engaged in the housing microfinance research initiative led by Cities Alliance, a global coalition of development agencies and international associations of local authorities that includes ACCION, IPC, and the Creative Housing Foundation. CGAP staff act in an advisory role to the peer group, which is documenting innovations and constraints on housing finance services for the poor. This information will then be disseminated to promote adaptation and refinement of housing microfinance methodologies.

As a first step in the initiative, CGAP last year contracted an associate of AFCAP, the East African capacity-building hub of CGAP and DFID, to conduct a study of the housing microfinance sector in Kenya that focuses on the policy environment and key institutional players in the market. ■



Women at fish market, Sénégal. (© The World Bank Photo Library/Curt Carnemark.)

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# INSTITUTION BUILDING

**T**HE limited capacity of financial institutions serving the poor is one of the primary constraints to reaching scale. CGAP addresses this constraint directly through technical assistance and performance-based grants to individual organizations, and at an industry level through the broad dissemination of consensus guidelines, technical tools, and training.

## OPERATIONAL TOOLS FOR MICROFINANCE INSTITUTIONS

CGAP focuses on developing technical tools that answer the operational and strategic needs of MFIs. It has published four such tools to date: *Handbook for Management of Information Systems for Microfinance Institutions*, *Business Planning and Financial Modeling*, *External Audit of Microfinance Institutions*, and the *CGAP Product Costing Tool*.

*Draft Product Costing Tool:* Over the past year, CGAP developed an activity-based costing tool to enable MFIs to better understand their cost structure. The tool is intended to improve efficiency and determine product viability by gaining information on the true structure of product costs. Once product costs are determined, the tool provides methods for understanding how and why costs are incurred for a specific product and whether or not the product contributes to the overall financial viability of an MFI. CGAP trained 18 MFI experts and consultants in the tool at a workshop held in Washington, D.C., in January 2002. Field testing is now underway, with CGAP providing partial funding to 10 MFIs willing to share their results.

*New Microfin Software and Handbook:* In late 2001, CGAP published a new comprehensive user's guide to Microfin software, an Excel-based series of spreadsheets that constitute a strategic and operational planning tool for MFIs. *Using Microfin 3.0* replaces the *CGAP Business Planning and Financial Modeling for Microfinance Institutions Handbook* (1998). Developed for CGAP by Charles Waterfield and Tony Sheldon, the newest version of the software was posted on the CGAP

website in late summer 2001. Microfin 3.0 features improved navigation, automatic help functions, better screen displays, and easier transfer facilities. An updated user's manual was published by Pact Publications in Fall 2001; Spanish and French translations of the new handbook and Microfin model are expected in late 2002.

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*"In late 2001, CGAP published a new comprehensive user's guide to Microfin software, an Excel-based series of spreadsheets that constitute a strategic and operational planning tool for MFIs."*

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## TRAINING FOR MICROFINANCE INSTITUTIONS

CGAP's capacity-building program delivers financial and operational management training to MFI staff through local and regional service providers. The program seeks to build local markets for microfinance support services by providing course materials, training of trainer workshops, and initial marketing support to local partner organizations who deliver the courses on a commercial basis.

CGAP conducted a comprehensive review of its capacity-building program in 2001 and developed a new strategy for the program. Having invested in developing local partners by providing exclusive access to its training materials, CGAP last year began to expand access to this content by posting course materials on its website. Over the next year, the program will focus on exploring new partnerships and delivery channels for its courses in Indonesia, the Middle East/North Africa, India, and Bangladesh—large markets where economies of scale offer CGAP the opportunity to generate a high rate of return on its investment in course design and development.

## CAPACITY BUILDING PARTNER UPDATES

**AFCAP:** AFCAP is the Eastern/Southern African hub for CGAP. Located in Nairobi, Kenya,

AFCAP is jointly funded by the UK Department for International Development (DFID). In the past year, AFCAP hosted an Operational Risk Management training of trainers workshop. In addition, its associates offered four courses in Tanzania, two courses in Zambia, one in Kenya, two in South Africa, and one in Uganda.

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*“Since the launch of a pilot initiative in Africa in 1997, the CGAP capacity-building program has built two regional training hubs and partnerships with local organizations that cover more than 40 countries.”*

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AFCAP also develops the technical assistance capacity of organizations in the region, training and mentoring local consultants in assignments ranging from business planning to NGO transformation. An evaluation of AFCAP, completed in January 2002, recommended a second project phase. CGAP and DFID are currently considering various options for the hub.

*CAPAF:* CAPAF is the Francophone Africa hub for the CGAP capacity-building program. Located in Dakar, Sénégal, CAPAF is jointly financed by the

French Ministry of Foreign Affairs (MAE). Thirty-four courses were offered by CAPAF partners over the past fiscal year in Bénin, Burkina Faso, Côte d’Ivoire, Cameroon, Guinea, Haiti, Mali, Morocco, Madagascar, Niger, Sénégal, and Togo.

CAPAF also underwent a mid-term evaluation of its CGAP funding from April-July 2002. The evaluation report and recommendations are expected in August 2002.

*Asia Capacity Building Partners:* CGAP has two training partnerships in Asia: one with EDA Rural Systems in India and another with the Punla sa Tao Foundation in the Philippines. During fiscal year 2002, these partners hosted an Information Systems training of trainers workshop in the Philippines and delivered 22 courses in India, Cambodia, Myanmar, and the Philippines.

*China Microfinance Training Center:* CMTC is the CGAP capacity-building partner in China. It was established in late 1999 with the Rural Development Institute, the leading Chinese research center on poverty studies. CMTC offered one course on Delinquency Measurement and Control in fiscal year 2002.

#### Box 6. CGAP MFI Training Program

Since the launch of a pilot initiative in Africa in 1997, the CGAP capacity-building program has built two regional training hubs and partnerships with local organizations that cover more than 40 countries. Together, these partners now deliver six week-long CGAP courses in six languages, with a seventh course to be launched in late 2002. The Skills for Microfinance Managers series now comprises the following courses:

- Delinquency Management and Interest Rate Setting\*
- Financial Analysis\*
- Fundamentals of Accounting\*
- Business Planning with Microfin\*
- Information Systems
- Operational Risk Management
- Product Development (forthcoming, late 2002)

CGAP has begun preparations to translate the Skills for Microfinance Managers series into more local languages, with priority given to languages used in large, underserved markets. Upcoming translations will likely include Bahasa, Arabic, and Bengali.

\* Participant course materials available on the CGAP website.

*Microfinance Centre:* The Microfinance Centre (MFC) for Central and Eastern Europe and the Newly Independent States is the CGAP capacity-building partner in this region. Based in Warsaw, Poland, MFC functions as both a training center and as a network that promotes microfinance in the region. During fiscal year 2002, MFC offered ten CGAP courses in Bosnia and Herzegovina, Georgia, Croatia, Kazakhstan, Poland, and Yugoslavia.

### **MBA PROGRAM IN MICROFINANCE**

Building financial systems for the poor in developing countries will require a large number of motivated and talented young people with hard skills who intend to make a career in the business. To attract and retain these people, microfinance needs to offer them an attractive career path in their own countries. In 2001, CGAP and the Soros Foundation formed a joint venture, the Microfinance MBA, to develop a pool of such highly skilled, future microfinance leaders.

The Microfinance MBA program seeks to develop microfinance expertise in a number of graduate schools in key regions of the developing world by establishing academic chairs and, possibly,

microfinance centers. These centers would be tasked with developing microfinance curricula and course materials, becoming integrated in a unified network through academic exchanges.

To date, the CGAP/Soros Foundation team has identified 13 target countries and nearly 30 candidate universities in Asia, Africa, Latin America, the Middle East, and Central and Eastern Europe. Over the next year, CGAP expects to formalize partnerships with three to five universities, form regional advisory boards, and begin to develop core curriculum materials for the program.

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*“The Microfinance MBA program seeks to develop microfinance expertise in a number of graduate schools in key regions of the developing world by establishing academic chairs and, possibly, microfinance centers.”*

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### **MICROFINANCE TRAINING PROGRAM IN BOULDER**

The Microfinance Training Program at Naropa University in Boulder, Colorado, is targeted at staff from microfinance institutions, donors, govern-

#### **Box 7. Skills for Microfinance Managers – Course Development Updates**

*Product Development Course:* This upcoming course provides product development guidelines for microfinance managers. The curriculum begins with an examination of market research and interpretation of market data, then proceeds to the design of product prototypes, pilot testing, and costing issues. The final component of the Skills for Microfinance Managers series, the Product Development course will be piloted with CGAP partners in Fall 2002.

*Information Systems Course:* This course raises management awareness about the development and implementation of information systems. Course materials were reviewed and improved based on a training of trainers workshop held in late 2001. New materials were delivered to CGAP partners and hubs for rollout in early 2002. CGAP sponsored two Information Systems Course training of trainers in fiscal year 2002, resulting in the certification of 13 trainers qualified to teach the updated course in four regions. The new course was delivered in Kenya, Uganda, Poland, and the Philippines in 2002.

*Operational Risk Management Course:* This new course focuses on internal controls, fraud, and external audits. The objectives of the course are to help microfinance managers improve the quality of risk management in their institutions by assessing and measuring risk, and designing and implementing internal control processes for their prevention.

The course was piloted in Cape Town, South Africa, with AFCAP trainers in October 2001, where five trainers from four African institutions were certified to deliver the course. A second training of trainers workshop was held in Dakar, Sénégal, in April 2002. A third session is planned for Asian partners in August 2002. The new course was first delivered in June 2002 by MFC in Yugoslavia.

ment agencies, and private organizations that deal with microfinance on a regular basis. CGAP plays an important role in managing the program, leading the faculty, and contributing to the curriculum. Several CGAP staff teach various courses, including Introduction to Financial Analysis, Microfinance Accounting, Commercial Banks in Microfinance, Regulation and Supervision, and Targeting Services to the Very Poor. CGAP also provides scholarships to the program to members of the PAG, its capacity-building partners, and paying members of the CG.

### CGAP INVESTMENTS IN MFIS AND MFI NETWORKS

Since its inception, CGAP has made direct investments in MFIs to help strengthen their capacity to deliver financial services to poor clients. CGAP complements its investments with technical assistance in the form of appraisals, business planning support, and strategic advice. The objectives of CGAP investments are

- to increase the number of profitable institutions reaching large numbers of the poor;
- to demonstrate to donors the importance of performance-based partnerships;
- to assist in the development and testing of technical tools and materials; and
- to keep CGAP staff in touch with microfinance issues on the ground through appraisals, monitoring, and exchanges with microfinance partners.

CGAP aims to provide grants to MFIs and networks in joint funding arrangements with member donors, thus providing a service both to donors and to microfinance institutions. CGAP consolidates the appraisal, reporting, and monitoring functions, creating efficiencies at the donor and institution levels (see page 25). The CGAP Appraisal and Monitoring Service began to attract a number of donor agencies over the past year. The pipeline for next year consists almost entirely of jointly funded transactions.

The Investment Committee of CGAP approved the following investments during fiscal year 2002:

### MFI Networks

*Développement International Desjardins (US\$ 180,000)*: DID has been active for 30 years in microfinance, particularly in Africa, where it provides long-term technical assistance to some of the largest credit unions. Over the next three years, DID intends to strengthen the internal controls and external audit tools of its partners Nyesigiso in Mali, Otiv in Madagascar, Pamecas in Sénégal, and FUCEC in Togo.

*MicroFinance Network – Global (US\$ 250,000)*: The MicroFinance Network (MFN) is a global association of leading microfinance practitioners committed to improving the lives of poor and low-income people through the provision of credit, savings, and other financial services. CGAP funding supports the work of MFN in promoting communication among managers of top-performing MFIs and in compiling MFI performance data and lessons for worldwide dissemination.

*SEEP National Network Strengthening (US\$ 580,000)*: SEEP, the Small Enterprise Education and Promotion Network, has established itself as a trade association of North American microfinance practitioners. SEEP activities include the development of practitioner tools, standards, and MFIs, as well as a practitioner learning program. CGAP funding will be dedicated to its work with national MFI networks.

### Retail MFIs

*Fondation Zakoura, Morocco (US\$ 220,000)*: Zakoura is the second largest MFI in Morocco with 34,327 loans outstanding in December 2000 and a portfolio of US\$ 3.2 million. Until 2001, Zakoura achieved remarkable performance in terms of both poverty outreach and financial viability with very little donor funding. In the past year, the government of Morocco, the European Union, and USAID have given Zakoura restricted grants of US\$ 5.4 million for loan capital or to open new branches. CGAP funding complements these restricted grants by supporting the implementation of a new management information system, together with improvements in financial management and internal controls and audits.

*Kashf Foundation in Pakistan (US\$ 300,000)*: From its start in 1996 until late 2000, Kashf

restricted its microfinance operations to a single pilot branch, postponing significant growth until its operations were in a condition to support a full rollout. Kashf is now in a position to expand massively with far less risk of debilitating management and systems problems. In addition to its own investment, CGAP will manage a UNCDF grant of US\$ 300,000. Other cofunding commitments include US\$ 285,000 funding from AusAID and a US\$ 2.3-2.8 million loan from the Pakistan Poverty Alleviation Fund on terms consistent with those of CGAP.

*Pro-Mujer in Bolivia (US\$ 170,000):* Pro-Mujer is the only significant urban program in Bolivia that focuses systematically on a market niche of clients well below the poverty line. Modest CGAP funding will support testing of CGAP tools and experimentation with credit scoring, a new technique in microfinance.

*VimoSEWA (US\$ 775,000):* VimoSEWA is an affiliate of the Self-Employed Women's Association (SEWA), a union of over 300,000 Indian women engaged in the informal economy. CGAP is coordinating a joint funding package for VimoSEWA to support a massive expansion of its property, health, and life insurance business over a ten-year period. Participating donors have formed a VimoSEWA Working Group that meets once a year to monitor the project and provide guidance to SEWA. The Ford Foundation is participating in the package (US\$ 600,000), as is GTZ.

*WOCCU/FFH in Ecuador (US\$ 1,065,370):* CGAP is supporting a joint initiative between Freedom from Hunger (FFH) and the World Council of Credit Unions (WOCCU) to transfer FFH's Savings and Credit with Education (SCWE) product to four credit unions in Ecuador and to WOCCU/Ecuador. Combining the delivery of financial and educational services using village banking methodology enables both services to be provided profitably, demonstrating the ability of credit unions to reach poorer clientele.

#### APPRAISAL PIPELINE

The following programs have either been appraised and/or preliminary research is under-

way to recommend them to member donors through the Appraisal and Monitoring Service.

#### Appraisals Completed

*Ennatién Moulethan Tchonnebat (EMT), Cambodia:* Established in 1991, EMT is an MFI operating as a private company with a license from the National Bank of Cambodia. EMT has over 75,000 clients with an outstanding loan portfolio of \$3.3 million. (Funding decisions are pending with CGAP and GTZ.)

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*“CGAP aims to provide grants to MFIs and networks in joint funding arrangements with member donors, thus providing a service both to donors and to microfinance institutions.”*

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*Hattha Kakesar Ltd. (HK), Cambodia:* Established in 1994, Hattha Kaksekar is a private MFI working in isolated rural areas in North-West Cambodia. HK has close to 8,000 clients with an outstanding loan portfolio of \$1.45 million. (Funding decisions are pending with CGAP and GTZ.)

*Centre International de Développement et de Recherche (CIDR), Eastern Africa:* CIDR's experience with the village-banking approach in West Africa has made it a leader in microfinance in rural and remote areas. CIDR is now launching a program for the development of participative microfinance systems in Ethiopia, Tanzania, and Kenya, focusing on underserved rural areas. (Donors who have expressed interest in the appraisal document and/or cofunding include DFID and the EU.)

#### Appraisals Planned for Late 2002

CGAP is currently in discussions with member donors who have expressed an interest in appraisals of the following MFIs and MFI networks: Friends of Women's World Banking, India (SDC and SIDBI); Kazakhstan Community Loan Fund; and Opportunity International Network (IFC, SIDBI, Oikocredit, Cordaid, Blue Orchard, DFID, USAID, Triodos). Appraisals of these institutions are expected to occur by year-end 2002. ■

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## Annex 1 CGAP Consultative Group of Member Donors

### MULTILATERAL MEMBER DONORS

#### **African Development Bank (AfDB)**

Rue Joseph Anoma  
01 BP 1387 Abidjan 01  
Côte d'Ivoire

#### **AMINA**

Rue Joseph Anoma  
01 BP 1387 Abidjan 01  
Côte d'Ivoire

#### **Asian Development Bank (AsDB)**

6 ADB Avenue  
P.O. Box 789  
Mandaluyong City  
Philippines

#### **European Commission (EC)**

EuropeAid  
Economic Cooperation AIDCO/C/2  
Loi 41-8/74  
Rue de la Loi 200  
1049 Brussels  
Belgium

#### **European Bank for Reconstruction and Development (EBRD)**

One Exchange Square  
London, EC2A 2JN  
United Kingdom

#### **Inter-American Development Bank (IDB)**

1300 New York Avenue, N.W.  
Washington, D.C. 20577  
United States

#### **International Fund for Agricultural Development (IFAD)**

Via del Serafico, 107  
00142 Rome  
Italy

#### **International Labour Office (ILO)**

4, route des Morillons  
CH 1211 Geneva 22  
Switzerland

#### **United Nations Conference on Trade and Development (UNCTAD)**

Palais des Nations  
CH-1211 Geneva 10  
Switzerland

#### **United Nations Capital Development Fund Special Unit for Microfinance (UNCDF/SUM)**

Two UN Plaza, 26th Floor  
New York, NY 10017  
United States

#### **United Nations Development Programme (UNDP)**

MicroStart  
One United Nations Plaza  
Room UH-8th Floor  
New York, NY 10017  
United States

#### **The World Bank**

1818 H Street, N.W.  
Room F 11-K 188  
Washington, D.C. 20433  
United States

### BILATERAL MEMBER DONORS

#### **Australia**

Australian Agency for International  
Development (AusAID)  
GPO Box 887  
Canberra ACT 2601  
Australia

#### **Belgium**

Belgian Administration for Development  
Cooperation  
Rue de Bréderode 6  
1000 Brussels  
Belgium

#### **Canada**

Canadian International Development  
Agency (CIDA)  
200 Promenade du Portage  
Hull, Québec K1A 0G4  
Canada

**Denmark**

Royal Danish Ministry of Foreign Affairs  
2 Asiatick Plads  
DK-1448 Copenhagen K  
Denmark

**Finland**

Ministry of Foreign Affairs  
P.O. Box 176 (Katajanokanlaituri 3)  
00161 Helsinki  
Finland

**France**

Agence Française de Développement (AFD)  
5, rue Roland Barthes  
75598 Paris Cedex 12  
France

Ministère des Affaires Étrangères  
Department of International Cooperation  
and Development  
20, rue Monsieur  
75700 PARIS 07 SP  
France

**Germany**

Kreditanstalt für Wiederaufbau (KfW)  
Financial Sector Department  
Palmengartenstr. 5-9  
60325 Frankfurt am Main  
Germany

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

Die Deutsche Gesellschaft für Technische  
Zusammenarbeit (GTZ)  
Banking Services and Financial Systems  
Development  
Postfach 5180  
Dag Hammersjold Weg 1-5  
65726 Eschborn  
Germany

**Italy**

Ministry of Foreign Affairs  
Directorate General for Development  
Cooperation - DGCS  
Pizza della Farnesina - 1  
00194 Rome  
Italy

**Japan**

Japan Bank for International Cooperation (JBIC)  
c/o Office of the Executive Director for Japan  
The World Bank  
MC 12-315  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States

Ministry of Foreign Affairs  
c/o Office of the Executive Director for Japan  
The World Bank  
MC 12-315  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States

**Table 1. Executive Committee Members and Constituencies, June 2002**

<b>Member</b>	<b>Constituency</b>
Camilla Bengtsson, Chair (Sweden) Heather Clark (UNDP/SUM)	Denmark, Finland, Norway, Sweden International Fund for Agricultural Development, International Labour Organization, United Nations Development Programme, United Nations Capital Development Fund, United Nations Conference on Trade and Development
Nimal Fernando (AsDB)	African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, World Bank, Argidius Foundation, Ford Foundation
Jean Claude Lorin (Canada) David J.N. Stanton (UK) Johan De Waard (The Netherlands)	Australia, Canada, United States, Japan Germany, Italy, Switzerland, United Kingdom Belgium, European Commission, France, Luxembourg, The Netherlands

Ministry of Finance  
International Bureau  
Development Institution Division  
c/o Office of the Executive Director for Japan  
The World Bank  
1818 H Street, NW  
MC 12-315  
Washington, DC 20433  
United States

**Luxembourg**

Ministère des Finances  
3, rue de la Congrégation  
2931 Luxembourg  
Luxembourg

Ministère des Affaires Étrangères  
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  
The Netherlands

**Norway**

Norwegian Agency for Development  
Cooperation (NORAD)  
Ruselokkveien 26  
P.B. 8034 DEP  
0030 Oslo  
Norway

Norwegian Ministry of Foreign Affairs  
7, juni plass/Victoria Terrasse  
P.O. Box 8114 DEP  
0032 Oslo  
Norway

**Sweden**

Swedish International Development  
Cooperation Agency (SIDA)  
INEC Department  
Sveavagen 20  
S-105 25 Stockholm  
Sweden

**Switzerland**

Swiss Agency for Development and Cooperation  
Freiburgstrasse 130  
CH-3003 Berne  
Switzerland

**United Kingdom**

Department for International Development  
(DFID)  
94 Victoria Street  
London SW1E 5JL  
United Kingdom

**United States**

US Agency for International Development  
(USAID)  
1300 Pennsylvania Avenue, N.W.  
Mail Stop: 20523-211  
Washington, D.C. 20523  
United States

**FOUNDATION MEMBER DONORS****The Ford Foundation**

320 East 43rd Street  
New York, NY 10017  
United States

**Argidius Foundation**

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

**Table 2. Regional Responsibilities of CGAP Staff, June 2002**

<b>Region</b>	<b>Staff Coordinator</b>
Anglophone East Africa	Ousa Sananikone (through September 2002)*
Southern Africa	Elizabeth Littlefield (through September 2002)*
Francophone Africa, Middle East	Jennifer Isern
East Asia	Xavier Reille
South Asia	Syed Hashemi
Latin America and the Caribbean	Richard Rosenberg, Brigit Helms
Eastern Europe and NIS	Doug Pearce

\* Patricia Mwangi will resume regional responsibility for these regions when she returns from leave in October 2002.

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## Annex 2

### CGAP Staff Biographies

**Elizabeth Littlefield, Director.** Ms. Littlefield joined CGAP in late 1999 from the investment bank JP Morgan, where she was the Managing Director in charge of financing in Central, Eastern, and Southern Europe, Central Asia, the Middle East, and Africa. Her responsibilities involved oversight of financing (public, private, structured, and derivative) to governments, corporations, and banks, and related advisory work such as debt management and credit rating advisory. Prior to this position, Ms. Littlefield held positions at JP Morgan as a Vice President and head debt trader for external and local debt in Africa, Eastern Europe, and Asia; and as a Directeur in JP Morgan's Paris office in Corporate Finance, among others. Parallel to her career in investment banking, Ms. Littlefield spent a year and a half in 1989–90 on secondment to microfinance institutions in West and Central Africa. During this period, she also provided consultancy services to the microenterprise sector in Pakistan. Ms. Littlefield served on the Board of Trustees of Women's World Banking from 1992–94, and on the Executive Committee of the Board as Treasurer from 1994–99. Ms. Littlefield is a graduate of Brown University and the Fondation Nationale des Sciences Politiques in Paris. She also completed a year-long finance training program at JP Morgan. Ms. Littlefield speaks fluent French.

**Leslie Barcus, CGAP/Soros MBA.** Ms. Barcus joined CGAP in May 2001 to provide support to CGAP capacity-building initiatives. Ms. Barcus originally served as the Capacity Building Product Manager for the MFI Training Program. Recently, she transitioned to the Microfinance MBA, a joint venture of CGAP and the Soros Foundation to create a microfinance specialization for MBA and other graduate management programs. Prior to joining CGAP, Ms. Barcus was the Director of Lending at ACCION New York, an associate microfinance institution of ACCION USA and ACCION International. Ms. Barcus speaks fluent French and has worked in training, corporate banking, and economic development consulting. She

holds a master's degree in international development from The American University in Washington, D.C.

**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 Director of the Microfinance Training Program at Naropa University in Boulder, Colorado, and is the Chair of the Editorial Board of *The MicroBanking Bulletin*, an industry publication devoted to financial sustainability and benchmarking. 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 ACCION International. Mr. Christen is the author of several publications related to sustainable microfinance. He received a master's degree from Ohio State University. Mr. Christen speaks fluent Spanish.

**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 and speaks fluent Tagalog and English.

**Tamara Cook, Microfinance Analyst.** Ms. Cook joined CGAP in 1996. As a member of the Microfinance Institutions Team, she monitors CGAP investments, manages funding applications, conducts institutional appraisals, prepares and reviews grant proposals, and coordinates the CGAP Appraisal and Monitoring Service. In addition, she contributes to research for CGAP publications and programs, and is responsible for reporting to CGAP stakeholders on CGAP's evaluation and renewal for

Phase III. Ms. Cook graduated from George Washington University, where she studied international development and business administration. She has attended numerous training programs in microfinance and is proficient in French.

**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. She also works on the CGAP website and the Microfinance Gateway. 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. Ms. Crenn speaks fluent French and English and is proficient in Spanish.

**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, and speaks fluent French and English.

**Nataša Goronja, Microfinance Analyst.** Ms. Goronja joined CGAP in 2001. Originally a member of the Microfinance Industry Team, she transferred to the Donor Services Team in early 2002. Before joining CGAP, Ms. Goronja worked in the microfinance sector in Bosnia as a loan officer, microfinance trainer, consultant, and policy adviser. She manages information dissemination, primarily through the Web, for the CGAP Donor Team, and is actively engaged in the delivery of donor training. She is completing a master's degree in European studies in a joint program managed by University of Bologna, University of Sarajevo, and the London School of Economics. A native of Bosnia and Herzegovina, Ms. Goronja speaks fluent Serbo-Croatian, Italian, and French, as well as some Russian.

**Syed M. Hashemi, Microfinance Specialist.** Dr. Hashemi joined CGAP in 1999. He concentrates on identifying pro-poor innovations and dissemi-

nating best practice lessons related to poverty outreach. He is the leader of the End-Client Team. Before joining CGAP, Dr. Hashemi had directed the Program for Research on Poverty Alleviation at the Grameen Trust since 1994. The program strives to make research relevant to the lives of the poor and the powerless. Before that, Dr. Hashemi taught development studies at Jahangirnagar University in Bangladesh for 12 years. He has conducted research on microcredit, NGOs, and gender subordination in rural Bangladesh. Dr. Hashemi holds a Ph.D. in economics from the University of California at Riverside.

**Brigit Helms, Senior Microfinance Specialist.** Dr. Helms joined CGAP in 1996. She is team leader of the newly created Donor Team, which assists CGAP member donors to improve aid effectiveness in microfinance. Dr. Helms has also worked in microfinance capacity building at CGAP and continues to be an instructor at the Microfinance Training Program in Boulder, Colorado. In addition to helping define and implement CGAP initiatives on depth of outreach, Dr. Helms led the development of the draft CGAP Poverty Assessment Tool. She has conducted several institutional appraisals of MFIs worldwide. Dr. Helms is the author of the draft *CGAP Product Costing Tool*, co-author of the *CGAP Appraisal Format*, and a regular contributor to the *Focus Notes* 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 U.S. Department of Commerce. Dr. Helms has extensive private and public-sector consulting experience and has worked in more than 35 countries in Latin America, the Caribbean, Africa, and Asia. She holds a Ph.D. from Stanford University in development and agricultural economics, speaks fluent Spanish, and is proficient in both French and Italian.

**Jennifer Isern, Senior Microfinance Specialist.** Ms. Isern joined CGAP in 1996. She leads the Microfinance Institutions Team, which coordinates the appraisal and monitoring service, conducts appraisals on a global basis, and coordinates

training, technical assistance, and funding to financial institutions. In addition, Ms. Isern focuses on regulation and supervision, donor services, and the development of several CGAP tools and publications. Within CGAP, she is responsible for Francophone Africa and the Middle East/North Africa regions. Before joining CGAP, Ms. Isern was the Regional Technical Adviser for economic development in West and Central Africa with CARE International, the microfinance coordinator for CARE Togo, and project manager for CARE Niger. In these capacities, she supported the design, training, implementation, and evaluation of CARE's microfinance programs in Africa. In addition, she has worked for USAID (in Sénégal and Central America), the United Nations Development Programme, AT&T, and other public and private firms. Ms. Isern received her master's degree from the Woodrow Wilson School at Princeton University. She speaks fluent French and is proficient in Spanish.

**Alexia Latortue, Microfinance Specialist.** Ms. Latortue joined CGAP in 2002. She is working on the donor team and managing the Donor Peer Review project. Prior to joining CGAP, Ms. Latortue worked as a Development Specialist with Development Alternatives, Inc. In Haiti, she served as Manager of Technical Services on two USAID-funded microfinance projects working with NGOs, credit unions, and commercial banks from 1998 to late 2001. She launched initiatives on standards, external audits, microinsurance, and knowledge management, and oversaw training activities. She has also worked with the Small Business Development Center in Boca Raton, Florida, and as a research analyst for Sterling International Group, among other private sector posts. She received a master's degree in development economics from the Fletcher School of Law and Diplomacy at Tufts University. She is fluent in French, Haitian Creole, and 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 budget issues, consultant contracts, and payment transactions. Prior to joining CGAP, she worked for the

World Bank's Private Sector Development Department in its Corporate Restructuring and Governance Unit. Ms. Manapol-Brown speaks fluent Tagalog and English.

**Peggy McInerny.** Ms. McInerny joined CGAP in early 2002 as Communications and Publications Officer. Her responsibilities include marketing communications; overseeing the editing, publication, and distribution of CGAP publications; and editing of content for the CGAP website. Ms. McInerny has previously worked as Editor at the Kennan Institute for Advanced Russian Studies in Washington, D.C., and for the telecommunications firms ORBCOMM Global and CAIS. Her work as a freelance writer and editor has included structural edits of full-length books, research papers, and articles, as well as writing grant proposals and newsletters. She holds a bachelor's degree from New York University and a master's degree from the Johns Hopkins University School of Advanced International Studies, and speaks fluent French and Russian.

**Patricia Mwangi, Microfinance Specialist.** Ms. Mwangi joined CGAP in 1999. She is working on the capacity-building initiative, monitoring investments, the financial statements disclosure guidelines, and the audit program. She is on the Microfinance Industry Team and is responsible for the Eastern and Southern Africa regions. 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 projects, conducted institutional performance assessments, and did financial management training and training design. She worked mostly in East Africa with microfinance institutions and public and private sector organizations, as well as in Zimbabwe, India, and the Philippines. She received her master's degree in Administration from the Australian Catholic University and is a Certified Public Accountant. Ms. Mwangi is proficient in French.

**Doug Pearce, Microfinance Specialist.** Mr. Pearce joined CGAP in 2001. He is on the End-Client Team and is responsible for Central and

Eastern Europe and the Newly Independent States. Prior to joining CGAP, he was a Principal Economist in the Markets, Finance, and Enterprise Group of the Natural Resources Institute in the UK. In Bosnia and Herzegovina, as Sector Coordinator for CARE, he set up and managed a microfinance institution, and in Bolivia he managed an IDB credit union program for MEDA. He has also worked as a consultant with DFID, the EBRD, and the World Bank. He brings experience in MFI and project management, rural finance, capacity building, policy advisory work, and microfinance through the banking sector. Mr. Pearce received a master's degree in agricultural economics from Wye College at the University of London. He is fluent in 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 East Asia region. Mr. Reille is also the manager of the Microfinance Gateway and Managing Director of the Microfinance Information eXchange. 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 those banks. Prior to CRS, he was Operations Director at Société d'Investissement et de Développement International (SIDI), where he played a role in the creation of Profund (an equity fund for microfinance institutions in South America) 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 is fluent in French, Spanish, and English, and speaks Bahasa Indonesia.

**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 policy guidelines on microfinance regulation. 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, D.C.-based expertise in 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, Illinois, and private investment management with the principal owner of the Parker Pen Company in Washington D.C. He holds a law degree from Harvard University and is fluent in Spanish.

**Ousa Sananikone, Senior Private Sector Development Specialist.**

Ms. Sananikone joined CGAP in 2000. She is a member of the CGAP Management Team and assists the Director in the overall management and administration of CGAP. Ms. Sananikone also manages the Rating Fund and has conducted several appraisals of microfinance institutions since joining CGAP. Prior to CGAP, Ms. Sananikone was with the Small and Medium Enterprise (SME) Development Department of the World Bank, where she task managed a number of SME and microfinance lending projects and conducted economic and sector work in Africa and Asia. She holds a master's degree in international affairs from the School of Foreign Service at Georgetown University. She is fluent in Lao, Thai, French, and English.

**Alfonso Vega Acosta, Microfinance Analyst.**

Mr. Vega A. joined CGAP in 2000. A member of the Microfinance Industry Team, he works on the Microfinance Gateway and the CGAP website. He also conducts institutional appraisals and research for CGAP publications and programs. Mr. Vega A. is the manager of the Information Systems Service initiative and works on several poverty-related projects, including the Pro-Poor Innovation Challenge and the Poverty Assessment Tool. A Mexican national, his native tongue is Spanish and he is proficient in French. Mr. Vega A. is a graduate of Brown University, where he studied development studies and economics. ■

### Annex 3

## Historic Budget Commitments of CGAP Member Donors

Total Donor Contributions to Core CGAP Budget in US Dollars as of June 30, 2002									
	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003
World Bank	5,250,000	10,250,000	15,250,000		6,249,000	6,994,000	7,500,000	7,125,000	6,725,000
Australia					302,750	232,645	323,576	668,689	
Argidius Foundation								100,000	100,000
Asian Development Bank								250,000	250,000
Belgium				201,748		383,035	262,430	222,575	
Canada					336,066	341,723	341,724	323,576	318,188
Denmark					250,000	250,000	250,000	360,317	360,317
Ford Foundation								200,000	200,000
Finland					200,052	268,110	235,689		239,365
France <sup>1</sup>								133,980	149,670
Germany						174,538	174,538	354,880	180,189
IDB		50,000							
IFAD <sup>2</sup>								300,000	
Italy						283,217	278,747	462,332	
Japan							300,000	300,000	
Luxembourg		500,000			312,390	279,348	270,177		
Netherlands <sup>3</sup>		3,022,609			534,773	488,640	399,690	406,224	401,277
Norway		1,633,384			385,902	377,643	341,746	334,934	330,677
Sweden					327,751	318,846	293,542	281,653	293,542
Switzerland				156,000	300,000	300,000	300,000	399,975	400,000
United Kingdom <sup>4</sup>								400,000	400,000
United States <sup>5</sup>					400,000	400,000	300,000	400,000	815,000
<b>Total</b>	<b>5,250,000</b>	<b>15,455,993</b>	<b>15,250,000</b>	<b>357,748</b>	<b>9,598,684</b>	<b>11,091,745</b>	<b>11,571,859</b>	<b>13,024,135</b>	<b>11,163,225</b>

<sup>1</sup>France funded the cost of one CGAP staff member from FY97-FY01 (approximately US\$ 766,400).

<sup>2</sup>IFAD funded the cost of one CGAP staff member from FY96-FY98 (US\$ 600,000).

<sup>3</sup>The Netherlands funded the cost of one CGAP staff member from FY96-FY98 (US\$ 484,504).

<sup>4</sup>The United Kingdom funded 50% of the Poverty Team (US\$ 150,000) for both FY00 and FY01.

<sup>5</sup>In the years 1995-98, USAID made a non-cash contribution for CGAP staff (through secondment) valued at US\$ 450,000.

*Shaded – pledged but not received.*

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## Annex 4

### Websites & Publications

#### MICROFINANCE GATEWAY

##### NEW IN FY02

**Client Targeting Centre.** Launched in November 2001, this centre provides a guide to existing targeting tools, ranging from geographical targeting to participatory wealth ranking. The centre is designed to encourage suggestions on the applicability of different tools in different regions and contexts and solicits postings from MFIs concerning their experience with these tools.  
**[http:// www.microfinancegateway.org/poverty/index.htm](http://www.microfinancegateway.org/poverty/index.htm)**

**Information Systems Centre.** This centre was enhanced in several ways during the past fiscal year. Three additional detailed reviews of information systems software for microfinance providers were added (Microbanking System EXTE, Bank 2000/Micromanage, and Cubis 2000); a discussion group moderated by an IS expert was launched with over 100 registered users; and a new database of vendor-provided information on commercially available software packages was created.

**[http://www.cgap.org/iss\\_site/index.html](http://www.cgap.org/iss_site/index.html)**

**Microinsurance Focus.** Launched in August 2001 under the auspices of the CGAP Working Group on Microinsurance, this online centre promotes sound practices in insurance provision to poor people by providing a platform for the exchange of knowledge and experience.

**<http://www.microfinancegateway.org/microinsurance/index.htm>**

##### CGAP WEBSITE NEW IN FY02

**Microfinance Visionary Showcase.** In February 2002, CGAP asked microfinance leaders to share their views on what the industry will look like in 2008 and the actions required to reach that vision. The showcase was one of the activities undertaken by CGAP in preparation for a strategic review meeting of its Consultative Group of donor members. The submissions were reviewed by the CG and have been posted on the CGAP site:  
**[www.cgap.org/html/microfinance\\_industry.html](http://www.cgap.org/html/microfinance_industry.html)**

#### NEW PUBLICATIONS FY2002

##### Focus Notes

**Resource Guide for Microfinance Assessments,** CGAP Focus Note N° 22 (November 2001) by CGAP Staff. This note compares five of the better-known rating methodologies for MFIs: CAMEL of ACCION International, PEARLS of the World Council of Credit Unions, GIRAFE of PlaNet Rating (a branch of PlaNet Finance), and the rating methodologies of MicroRate of Washington, D.C., and Micro-Credit Ratings and Guarantees India, Ltd.

The note is part of a trio of CGAP publications on financial transparency, which also includes *Financial Transparency: A Glossary of Terms* and *Focus on Financial Transparency: Building the Infrastructure for a Microfinance Industry*.

**A Multilateral Donor Triumphs over Disbursement Pressure: The Story of Microfinance at Banco do Nordeste in Brazil,** CGAP Focus Note N° 23 (December 2001) by Steven N. Schonberger and Robert Peck Christen. This note documents the World Bank's patient, phased support to Brazil's Banco do Nordeste as it designed, launched, and nurtured its CrediAmigo microfinance program.

##### Occasional Papers

**Apex Institutions in Microfinance,** CGAP Occasional Paper N° 6 (January 2002) by Fred Levy. This paper reviews the experience of national microfinance apexes—wholesale mechanisms that channel funds, with or without supporting technical services, to retail microfinance institutions in a single country or integrated market.

##### Technical Tools

**Product Costing Tool,** CGAP Technical Tool N° 6 (draft version 1.3, March 2002) by Brigit Helms. The objective of this activity-based costing tool is to enable MFIs to better understand their cost structure. The tool is intended to improve efficiency and determine product viability by gaining information on the true structure of product costs.

Once product costs are determined, the tool provides methods for understanding *how* and *why* costs are incurred for a specific product, and whether or not a specific product, contributes to the overall financial viability of the MFI.

**Sistemas de información gerencial para instituciones de microfinanzas: Guía práctica.** The Spanish translation of *Handbook for Management Information Systems* became available in late 2001. It can be downloaded in electronic form from the CGAP website and is sold in hard copy by Pact Publications. First published in English in 1998, the MIS Handbook addresses the issues and decision making involved in developing a management information system.

**Using Microfin 3.0: A Handbook for Operational Planning and Financial Modeling** (2001). This is a comprehensive user's guide to Microfin software, an Excel-based series of spreadsheets that constitutes a strategic and operational planning tool for MFIs. *Using Microfin 3.0* replaces the *CGAP Business Planning and Financial Modeling for Microfinance Institutions Handbook* (1998). Spanish and French translations of the new handbook and Microfin model are expected to be published in late 2002.

#### Donor Briefs

**Microfinance Donor Projects: 12 Questions about Sound Practice,** Donor Brief N° 1 (April 2002). This brief outlines the major questions that should guide the design of a donor microfinance program.

**Microcredit: One of Many Intervention Strategies,** Donor Brief N° 2 (April 2002). This brief examines microcredit against other, alternative intervention strategies designed to alleviate poverty, generate income, and promote employment. The publication is a summary of CGAP Focus Note N° 20 (May 2001).

**Water, Water Everywhere, But Not a Drop to Drink,** Donor Brief N° 3 (May 2002). This publication summarizes key lessons that emerged from a discussion of a CGAP "Viewpoint" published on the Microfinance Gateway ([www.microfinancegateway.org](http://www.microfinancegateway.org)) in January 2002.

**Savings Are as Important as Credit: Deposit Services for the Poor,** Donor Brief N° 4 (June 2002). This brief outlines key recommendations for how donors can support deposit services in microfinance. It is based on *Developing Deposit Services for the Poor: Preliminary Guidance for Donors* (see below).

#### Consensus Guidelines and Glossaries

**Developing Deposit Services for the Poor: Preliminary Guidance for Donors** (draft version, April 2002). by Madeline Hirschland, on behalf of the CGAP Working Group on Savings Mobilization. These draft guidelines embody the working consensus of CGAP member donors, industry experts, and practitioners on how donors can support deposit services in microfinance.

**Financial Transparency: A Glossary of Terms** (November 2001). This glossary defines and discusses some of the elements involved in the collection, analysis, and disclosure of MFI financial information. The glossary is part of a trio of CGAP publications on financial transparency that includes *Resource Guide for Microfinance Assessments* (CGAP Focus Note N° 22) and the CGAP Update Series brochure, *Focus on Transparency*.

**Microfinance Glossary: English-Spanish** (draft version, August 2001). This glossary provides a list of commonly used microfinance terms in English and Spanish.

#### CGAP Update Brochure

**Focus on Financial Transparency** (2001). This brochure outlines the activities of CGAP and other industry players in the area of financial transparency. It is part of a trio of CGAP publications on financial transparency that also includes *Resource Guide for Microfinance Assessments* (CGAP Focus Note N° 22) and *Financial Transparency: A Glossary of Terms*.

#### Working Paper

**Microfinance in Central America and Mexico - Profile and Challenges.** This document, published on the CGAP website in early 2002, discusses extensive market research conducted by CGAP at the end of 2001 in El Salvador,

Guatemala, Honduras, Nicaragua, and Mexico. The paper offers profiles of microfinance in Central America and Mexico with a focus on the various players in the sector, then outlines the principal challenges faced by microfinance in the region.

### COMPREHENSIVE LISTING OF CGAP PUBLICATIONS

#### Focus Notes

- N°1: The Consultative Group to Assist the Poorest: A Microfinance Program (1988, revised version)
- N°2: Maximizing the Outreach of Microenterprise Finance: The Emerging Lessons of Successful Programs (1995)
- N°3: Missing Links: Financial Systems That Work for the Majority (1995)
- N°4: Regulation and Supervision of Microfinance Institutions: Stabilizing a New Financial Market (1996). *Out of print. This publication has been replaced by Occasional Paper N°4* (2000).
- N°5: Financial Sustainability, Targeting the Poorest, and Income Impact: Are There Trade-Offs for Microfinance Institutions? (1996)
- N°6: The Challenge of Growth for Microfinance Institutions: The BancoSol Experience (1997)
- N°7: Effective Governance for Microfinance Institutions (1997)
- N°8: Introducing Savings in Microcredit Institutions: When and How? (1997)
- N°9: Anatomy of a Microfinance Deal: The New Approach to Investing in Microfinance Institutions (1997)
- N°10: State-Owned Development Banks in Microfinance (1997)
- N°11: How CGAP Member Donors Fund Microfinance Institutions (1998)
- N°12: Commercial Banks in Microfinance: New Actors in the Microfinance World (1998)
- N°13: Savings Mobilization Strategies: Lessons from Four Experiences (1998)
- N°14: Pilot Initiative in Africa: What Have We Learned? (1999)
- N°15: Raising the Curtain on the “Microfinancial Services Era” (2000)
- N°16: Those Who Leave and Those Who Don’t Join: Insights from East African Microfinance Institutions (2000)
- N°17: Microfinance and Risk Management: A Client Perspective (2000)
- N°18: Exploring Client Preferences in Microfinance: Some Observations from *SafeSave* (2000)
- N°19: In-Country Donor Coordination (2001)
- N°20: Microfinance, Grants, and Non-Financial Responses to Poverty Reduction: Where Does Microcredit Fit? (2001)
- N°21: Linking Microfinance and Safety Net Programs to Include the Poorest: The Case of IGVGD in Bangladesh (2001)
- N°22: Resource Guide to Microfinance Assessments (2001)
- N°23: A Multilateral Donor Triumphs over Disbursement Pressure: The Story of Microfinance at Banco do Nordeste in Brazil (2001)

#### Occasional Papers

- N°1: Microcredit Interest Rates (1996)
- N°2: Cost Allocation for Multi-Service Microfinance Institutions (1998)
- N°3: Measuring Microcredit Delinquency: Ratios Can Be Harmful to Your Health (1999)
- N°4: The Rush to Regulate: Legal Frameworks for Microfinance (2000)
- N°5: Commercialization and Mission Drift: The Transformation of Microfinance in Latin America (2001)
- N°6: Apex Institutions in Microfinance (2002)
- N°7: Scoring: The Next Breakthrough in Microcredit? (forthcoming, Summer 2002)

**Technical Tools**

Available free of charge in electronic form at [www.cgap.org](http://www.cgap.org). Printed copies of Technical Tools Nos. 1-4 are available for sale from Pact Publications ([www.pactpub.com](http://www.pactpub.com)) and GRET-Librairie ([librairie@gret.org](mailto:librairie@gret.org)).

- N°1: Handbook for Management Information Systems for Microfinance Institutions (1998). Available from Pact Publications.
- N°2: Using Microfin 3.0: A Handbook for Operational Planning and Financial Modeling (2001). Available from Pact Publications.
- N°3: External Audit of Microfinance Institutions: A Handbook (1998). Available from PACT Publications.
- N°4: The CGAP Appraisal Format for Microfinance Institutions (1999). Available online or from CGAP.
- N°4/Companion Publication: CGAP Poverty Audit (2001, draft version). Available online or from CGAP.
- N°5: CGAP Poverty Assessment Tool (2000, draft version). Available online or from CGAP.
- N°6: CGAP Product Costing Tool (2002, draft version 1.3). Available online or from CGAP.

**Donor Briefs**

- N°1: Microfinance Donor Projects: 12 Questions about Sound Practice (2002)
- N°2: Microcredit: One of Many Intervention Strategies (2002)
- N°3: Water, Water, Everywhere, But Not a Drop to Drink (2002)
- N°4: Savings Are as Important as Credit: Deposit Services for the Poor (2002)

**Consensus Guidelines and Glossaries**

Disclosure Guidelines for Financial Reporting (2001, provisional version).

Financial Transparency: A Glossary of Terms (2001)

Microfinance Glossary: English-French (2000, draft version). Available only online at: <http://microfinancement.cirad.fr/fr/iframe6.html>

Microfinance Glossary: English-Spanish (2001, draft version). Available only online at [www.cgap.org](http://www.cgap.org).

Developing Deposit Services for the Poor: Preliminary Guidance for Donors, CGAP Working Group on Savings Mobilization (2002, draft version). Available only online at [www.cgap.org](http://www.cgap.org).

**CGAP Update Brochures**

Focus on Poverty: CGAP 2000

Helping to Build a Microfinance Industry (2001)

Assessing the Relative Poverty of Microfinance Clients: A CGAP Operational Tool (2001)

Focus on Financial Transparency: Building the Infrastructure of a Microfinance Industry (2001)

CGAP Microfinance Publications (forthcoming, July 2002)

**Other Brochures**

Skills for Microfinance Managers-English

Skills for Microfinance Managers-French

The Microfinance Gateway: A Home Page for Microfinance (forthcoming, Summer 2002)

**Annex 5**  
**CGAP Investments & Pro-Poor Innovation Challenge Awards**

**Table 1. CGAP Investments, 1995-2002**

Investment	Country	Committed
<b>TOTAL SUPPORT FOR MICROFINANCE INSTITUTIONS</b>		<b>38,172,609</b>
<b>Technical Tools</b>		<b>408,509</b>
Business Planning and Financial Modeling	Global	291,819
Tools Dissemination	Global	84,600
Microfinance Ratings Paper	Global	32,090
<b>Training and Capacity Building</b>		<b>9,576,890</b>
CAPAF	West Africa	2,400,000
MicroSave-Africa	Africa	1,400,000
AFCAP	East Africa	1,475,000
BRI International Visitors Program	Global	1,200,000
Pilot Capacity-Building Initiative in Africa	Africa	847,000
Pilot Capacity-Building Initiative in Asia	Asia	696,500
China Capacity-Building Initiative	Asia	440,000
Microfinance Centre	Poland	438,000
New Course Development	Global	300,000
Product Manager	Global	354,440
Capacity Building in Sri Lanka	Asia	25,950
<b>Technical Advice and Exchange</b>		<b>926,960</b>
Appraisals and Technical Assistance	Global	657,560
Vietnam Bank for the Poor	Vietnam	189,400
Banco do Nordeste do Brazil	Brazil	50,000
Funding for the Poor Cooperative (Operations Manual)	China	30,000
<b>Funding for Microfinance Institutions</b>		<b>15,646,080</b>
ACODEP	Nicaragua	2,000,000
Compartamos	Mexico	2,000,000
SHARE	India	2,000,000
Project Dungganon (NWTF)	Philippines	1,600,000
CARD	Philippines	1,200,000
Nirdhan	Nepal	1,100,000
Pro-Poor Innovation Challenge	Global	1,100,000
K-Rep Bank and Kwa Multipurpose Society	Kenya	900,000
SEWA Insurance	India	775,000
Kashf Foundation	Pakistan	600,000
ACEP	Senegal	500,000
Save the Children, Middle East Region	Jordan, West Bank, Lebanon	250,000
Ahantaman Rural Bank	Ghana	225,000
Nsoatreman Rural Bank	Ghana	225,000

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Table 1. CGAP Investments, 1995-2002 Continued

Investment	Country	Committed
Centenary Rural Bank	Uganda	220,000
Zakoura	Morocco	220,000
Promujer	Bolivia	180,160
XacBank	Mongolia	95,000
SafeSave	Bangladesh	70,000
Prizma	Bosnia and Herzegovina	65,000
Aga Khan Rural Support Foundation	Pakistan	50,000
Doveriye	Russia	50,000
Kafo Jiginew	Mali	50,000
Rural Finance Facility	South Africa	50,000
Zambuko Trust	Zimbabwe	50,000
FECECAM	Bénin	40,000
Government Savings Bank	Thailand	17,920
Centre for Self-Help Development	Nepal	13,000
<b>Funding Microfinance Institution through Networks</b>		<b>6,250,000</b>
ACCION International Gateway Fund	Latin America	2,500,000
Women's World Banking Facility for Affiliate Capitalization, Phase 1	Latin America	2,500,000
Women's World Banking Facility for Affiliate Capitalization, Phase 2	Global	750,000
Développement International Desjardins	Africa	500,000
<b>Funding Networks</b>		<b>5,364,170</b>
FINCA International	Africa, Latin America	1,260,000
Joint WOCCU/FFH Credit Union Downscaling (SCWE)	Ecuador	1,065,370
SEEP Network, Phase 1 and 2	Global	906,100
Microfinance Network, Phase 1, 2 and 3	Global	700,000
ACCION International, Phase 2	Global	500,000
CASHPOR, Inc.	Asia and Pacific	323,000
Développement International Desjardins, Phase 2	Africa	180,000
Katalysis	Latin America	98,700
PRIDE Africa Evaluation	East Africa	56,000
Credit and Development Forum	Bangladesh	50,000
Foundation for Development Cooperation	Asia	50,000
Freedom from Hunger	West Africa	50,000
INDNET	India	50,000
PHILNET	Philippines	50,000
DEVCAP	Global	25,000

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Table 1. CGAP Investments, 1995-2002 Continued

<b>TOTAL SUPPORT TO DONORS</b>			<b>1,910,530</b>
<b>Investment</b>	<b>Country</b>	<b>Committed</b>	
<b>Technical Tools</b>			<b>538,960</b>
Poverty Assessment Tool with IFFRI	Global	286,000	
Donor Peer Reviews	Global	100,000	
Donor Briefs	Global	100,000	
Global Donor Portfolio Database	Global	52,960	
<b>Training and Capacity Building</b>			<b>977,200</b>
Donor Staff Training UNCDF/UNDP	Global	800,000	
CGAP Donor Training	Global	177,200	
<b>Technical Advice and Exchange</b>			<b>394,370</b>
Donor Mainstreaming	Global	242,970	
Third Consultative Forum	Global	70,900	
Microfinance Framework for Afghanistan	Global	50,000	
Microsave Africa Evaluation	Global	30,500	
<b>TOTAL SUPPORT TO INDUSTRY</b>			<b>11,593,000</b>
<b>Technical Tools</b>			<b>8,936,810</b>
Microfinance Information Exchange (MIX)	Global	2,000,000	
Guatemalan Credit Union Rating Agency (WOCCU)	Guatemala	1,775,000	
Rating Fund, Phase 1 and 2	Global	1,225,000	
Microbanking Bulletin, Phase 1 and 2	Global	957,500	
Publications and Translations	Global	859,740	
Microfinance Gateway	Global	649,000	
MIS Handbook and Audit Standards	Global	293,900	
Audit Handbook	Global	293,900	
Apex Study	Global	156,700	
Information Systems Consumer Report	Global	123,930	
West Africa Study of PARMEC Law	West Africa	112,200	
CE/NIS Mapping	Central Europe and NIS	100,000	
Virtual Microfinance Market	Global	100,000	
Evaluation of African MFIs by ADA	Global	70,000	
Product Costing Tool Testing	Global	60,000	
Microfinance Revolution Publication	Global	44,600	
Loan Portfolio Management Tool Development	Global	37,340	
Microfinance Video	Global	35,000	
Business Process Mapping	Global	20,000	
Credit Scoring Paper	Global	13,000	
Impact Assessment Methodologies Virtual Meeting	Global	10,000	
<b>Training and Capacity Building</b>			<b>198,000</b>
Soros/CGAP Microfinance MBA Start-Up	Global	100,000	
Microcredit Summit, Meeting of Councils			
Scholarship	Global	63,000	

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Table 1. CGAP Investments, 1995-2002 Continued

<b>Investment</b>	<b>Country</b>	<b>Committed</b>
Microfinance Training, Boulder, Colo.	Global	30,000
INAISE Workshop	Global	5,000
<b>Technical Advice and Exchange</b>		<b>2,458,190</b>
External Audit Capacity Building	Global	550,000
Latin America Poverty Survey	Latin America	325,000
Poverty Outreach	Global	306,180
China Microfinance Forum and Policy Work	China	267,840
West Africa High-Level Policy	West Africa	256,300
World Development Report Impact Study	Global	113,800
Poverty Tools/Indicators	Global	100,000
Poverty Case Studies	Global	100,000
CE/NIS Projects	Central Europe and NIS	100,000
Microinsurance Focus	Global	65,000
Guidelines on Regulation and Supervision	Global	52,030
Poverty Assessment, West Africa	West Africa	50,000
City of London Seminar	Global	30,600
Housing Microfinance	Global	30,000
Grameen Bank Securitization	Bangladesh	25,700
Field Presence Research	Global	21,140
FORD-IDS Impact Study	Global	20,000
Mexico Microfinance Conference	Mexico	20,000
Bank for the Poor, Peru	Peru	7,600
Conference on Regulation and Supervision	Latin America	7,100
Village Banking Workshop and Study Tour	Tunisia	5,100
Argentina Microfinance Forum	Argentina	4,800
<b>TOTAL COMMITMENTS</b>		<b>51,676,139</b>

Table 2. Pro-Poor Innovation Challenge Recipients (in US\$), 2000-2002

Recipient	Region/Country	Amount
<b>ROUND 1: JUNE 2000</b>		
Groupe de recherche et d'échanges technologiques, Cambodia	Cambodia	50,000
Swayam Krishi Sangam	India	50,000
Freedom from Hunger	Ghana	50,000
Centre Béninois pour le Développement des Initiatives à la Base	Bénin	50,000
		200,000
<b>ROUND 2: JANUARY 2001</b>		
Association Mennonite de Développement Economique	Haiti	50,000
CASHPOR Financial and Technical Services	India	50,000
Padakhep Manabik Unnayan Kendra	Bangladesh	50,000
Uganda Microfinance Union	Uganda	50,000
Women's Association for Gain Both Economic and Social	Togo	50,000
		250,000
<b>ROUND 3: MAY 2001</b>		
Alternativas Solidaria Chiapas	México	50,000
Local Enterprise Assistance Program	Liberia	50,000
Constanta Foundation	Geogia	50,000
Women Economic Empowerment Consort	Kenya	50,000
Youth Self Employment Program	Tanzania	50,000
		250,000
<b>ROUND 4: MARCH 2002</b>		
Asociación Mexicana de Uniones de Crédito del Sector Social	Mexico	40,000
Center for Microfinance	Nepal,	45,000
Horizonti	Macedonia	35,000
Jamaican Cooperative Credit Union League	Jamaica	45,000
Lift Above Poverty Organization	Nigeria	35,000
National Rural Support Program	Pakistan	40,000
Organización de Desarrollo Empresarial Femenino	Honduras	35,000
PACT Institute	Myanmar	40,000
Rural Finance Corporation	Moldova	40,000
Sinapi Aba Trust	Ghana	45,000
		400,000

# ACRONYMS USED IN THIS REPORT

ADA	Appui au Développement Autonome, Luxembourg	CMTC	China Microfinance Training Center, Beijing; CGAP capacity-building partner in China	IDB	Inter-American Development Bank, Washington, D.C.	NORAD	Norwegian Agency for Development Cooperation, Oslo, Norway
AFCAP	Microfinance Capacity Building Programme in Africa, Nairobi, Kenya; funded jointly by CGAP and DFID	DANIDA	Danish International Development Assistance Agency, Copenhagen, Denmark	IFAD	International Fund for Agricultural Development, Rome, Italy	OED	Operations Evaluation Department of the World Bank
AFD	Agence Française de Développement, Paris, France	DID	Développement International Desjardins	IFC	International Finance Corporation of the World Bank Group	OI	Opportunity International, an MFI network
AfDB	African Development Bank, Abidjan, Côte d'Ivoire	DFID	Department for International Development, London, UK	ILO	International Labour Organization, Geneva, Switzerland	OSI	Open Society Institute, an affiliate of the Soros Foundation
ADIE	Association pour le Droit à l'Initiative Economique, France	DGF	Development Grant Facility of the World Bank	IMF	International Monetary Fund, Washington, D.C.	PAG	Policy Advisory Group of CGAP
AKDN	Aga Khan Development Network	DGDS	Directorate General for Development Cooperation, Italy	IPC	Internationale Projekt Consult GmbH, Frankfurt, Germany	PAT	Poverty Assessment Tool, a CGAP technical tool
AMINA	Microfinance Initiative For Africa of the African Development Bank	EBRD	European Bank for Reconstruction and Development, London, UK	IS	Information Systems	PRSP	Poverty Reduction Strategy Paper
ASA	Association for Social Advancement, Bangladesh	EMT	Ennatien Moulethan Tchonnebat, a Cambodian MFI	JBIC	Japan Bank for International Cooperation	PPIC	Pro-Poor Innovation Challenge, a CGAP awards program
AsDB	Asian Development Bank, Manila, Philippines	EU	European Union, Belgium	KCLF	Kazakhstan Community Loan Fund	SCWE	Savings and Credit with Education, a product of FFH
AusAID	Australian Agency for International Development	EC	European Commission, Belgium	KfW	Kreditanstalt für Wiederaufbau, Germany	SDC	Swiss Agency for Development and Cooperation
BCEAO	West African Central Bank	Excom	Executive Committee of CGAP	MAE	Ministère des Affaires Étrangères, France	SEF	Small Enterprise Foundation, South Africa
BMZ	Federal Ministry for Economic Cooperation and Development, Germany	FAQ	Frequently asked question	MBA	Masters in Business Administration	SEEP	Small Enterprise Education and Promotion Network, Washington, D.C.
BN	Banco do Nordeste, Brazil	FFH	Freedom from Hunger, Washington, D.C.	MBSB	MicroBanking Standards Project	SEWA	Self-Employed Women's Association
BRAC	Bangladesh Rural Advancement Committee	FFP	Private Foundation Fund; a legal entity in Bolivia	M-CRIL	Micro-Credit Ratings and Guarantees India, Ltd.	SIDA	Swedish International Development Cooperation Agency
CAPAF	Capacity Building hub for Francophone Africa, Dakar, Sénégal; funded jointly by CGAP and MAE	FIE	Centro de Fomento a Iniciativas Económicas, Bolivia	MDG	Millennium Development Goal	SIDBI	Small Industries Development Bank of India
CAS	Country Assistance Strategy of the World Bank	FINCA	Foundation for International Community Assistance, Washington, D.C.	MDRM	Mission for Regulation and Development of Microfinance of the BCEAO	SIDBI	Small Industries Development Bank of India
CHF	Cooperative Housing Foundation, Maryland, USA	FPC	Funding the Poor Cooperative, China	MEDA	Mennonite Economic Development Associates, Winnipeg, Canada	UNDP/UNCDF	United Nations Development Program/United Nations Capital Development Fund, Switzerland
CIDA	Canadian International Development Agency, Toronto, Canada	FWWB	Friends of Women's World Banking, India	MFC	Microfinance Center for Central and Eastern Europe and the Newly Independent States, Warsaw, Poland; an MFI network and training center	UNCTAD	United Nations Conference on Trade and Development, Switzerland
CIDR	Centre International de Développement et de Recherches, France	GTZ	Die Deutsche Gesellschaft für Technische Zusammenarbeit (Society for Technical Cooperation), Germany	MFI	Microfinance institution	USAID	US Agency for International Development, Washington, D.C.
CGAP	Consultative Group to Assist the Poorest	HK	Hattha Kakesar, Ltd.; a Cambodian MFI	MFN	MicroFinance Network	WOCCU	World Council of Credit Unions
CG	Consultative Group of CGAP Member Donors	IAS	International Accounting Standards	MIX	Microfinance Information eXchange (MIX)		
		IC	Investment Committee of CGAP	MM	Microfinance Market		
		ICPAU	Institute of Certified Public Accountants of Uganda	NGO	Non-governmental organization		
				NIS	Newly Independent States of the former Soviet Union		

CONSULTATIVE GROUP TO ASSIST THE POOREST  
c/o The World Bank  
1818 H Street, N.W.  
Room Q4-400  
Washington, D.C. 20433

