



Advancing financial access for the world's poor

2008  
ANNUAL  
REPORT



# TABLE OF CONTENTS

2	Dear Friends and Colleagues
4	Access to Finance
5	CGAP: Who We Are
5	Our Vision
6	CGAP 2008 Highlights
8	Current State of Microfinance
10	Remaining Challenges, Gaps, and Constraints
11	Evaluating CGAP's Role
13	CGAP Strategy
14	About This Report
15	Building Financial Market Infrastructure
19	Developing Diverse Pro-Poor Financial Services
23	Fostering Supportive Policy Environments
27	Improving the Effectiveness of Microfinance Funding
34	Communications and Publications
36	Monitoring and Evaluation
38	Governance Structure
39	Member Donors 2008
54	Financial Statements

# DEAR FRIENDS AND COLLEAGUES

Amid the terrible food crisis and dramatically changing environments in developing countries, CGAP's focus remains steady—advancing poor people's access to financial services that can help them insulate their families from hard times, take advantage of opportunities, and make choices in charting their own course out of poverty.

To do this, CGAP works to build a financial market infrastructure (with a particular emphasis on aspects like technology and financial reporting) that will support a thriving market of financial services for poor people. We work with financial service providers to help them reduce costs, improve services, and grow. We work with governments in developing countries to develop policies that will promote access to finance while protecting depositors. And we work with investors and donors to help ensure that their investments and financial aid in support of access to finance have the best impact possible.

This past year, CGAP has had significant breakthroughs in each of these areas. With each breakthrough, new challenges and questions are revealed. Our work in new delivery technologies has demonstrated the viability of mobile banking (branchless banking) to reach vastly more poor customers than could be reached through brick-and-mortar branch networks. Through our nine new pilots programs in Kenya, Mongolia, the Philippines, and elsewhere, we have tested new business models and researched customer needs. Through 10 research papers and extensive Web and workshop dissemination, we have learned and shared new knowledge about what's needed on the business end, and how local shops and kiosks can act as branchless banking agents. New challenges now face us as we explore product and service designs that are geared to the needs of poor clients, hindrances to customer adoption, and adaptation needed to the business model.

This exciting convergence of telecommunications, banking, and payment systems is drawing the attention of regulators in developing countries as they see the tremendous opportunity to dramatically expand their citizens' access to financial services by deploying technology. Much of CGAP's policy work over the past year has focused on exploring regulatory responses to the options created by branchless banking. This year, CGAP worked with policy makers and regulators in over 20 countries to help reengineer policies and regulations to capitalize on opportunities, while protecting poor clients.

Reaching the very poorest clients remains a challenge, and a priority, for CGAP. This year, our work on "graduation" programs has gained real momentum. These programs offer a carefully sequenced combination of grants and financial services to help move clients from extreme poverty to a position where they can save and, ultimately, graduate to make use of a full range of financial services. With five pilots now in operation in Asia and Latin America, we are planning several more in Africa. Rigorous impact studies are underway to assess results in different contexts so we can refine the methodology as more programs come on stream.

We've also been bringing our expertise in technology and branchless banking to bear to make welfare and other government-to-people payments and cash transfers more efficient, with less leakage and better results in the long term. We see great potential to extend this work further to harness existing channels for the benefit of poor clients, and to ensure that social payments to the poor result in recipients' ongoing access and usage of the financial system.



Another breakthrough this past year was the coalescing of support for standards of pricing transparency and customer protection. CGAP was proud to be able to work with 38 investors to endorse the Client Protection Principles. We firmly believe that what distinguishes microfinance must be the value it places on how clients benefit from its service. We are delighted to see such momentum today around these issues.

CGAP's other important work with donors and investors this year focuses on transparency: CGAP completed the pilot round of the SmartAid Index, with seven funders representing one-third of all cross-border funding for microfinance. SmartAid measures how well agencies are set up to support access to finance. We also unveiled a benchmarking report on the performance of investment vehicles in microfinance, along with the long awaited disclosure guidelines for these funds.

CGAP's membership grew this year, with the important addition of the MasterCard Foundation and Citigroup Foundation. We are deeply grateful to all of our members and many partners throughout the world for all the work we do together. It is you, our members, microfinance institutions, banks, investors, policy makers, and networks that make our work possible. We thank you all for your trust, your support, and your guidance.

Sincerely,

Elizabeth L. Littlefield  
CEO



## ACCESS to FINANCE

Nearly 3 billion poor people in developing countries lack access to the basic financial services needed to help them manage their precarious lives.

Access to financial services—whether in the form of savings, credit, money transfers, or insurance—is a fundamental tool for improving a family’s well-being and productive capacity. It empowers the poor by reducing their vulnerability, and offering them opportunities to improve their lives.

When poor people have access to financial services, they invest in assets such as sending their children to school, buying medicines and more nutritious food, fixing a leaky roof, or building income-earning potential by investing in their own enterprises.



## CGAP: WHO WE ARE

CGAP is an independent research and policy organization dedicated to expanding access to finance for poor people around the world. It is housed in the World Bank and supported by over 30 development agencies and private foundations that share our mission of alleviating poverty by advancing access to financial services.

We work with the financial industry, governments, donors and investors, and a network of worldwide partners to help microfinance more effectively serve the needs of poor people.

We offer a range of research and advisory services to spur the growth and development of microfinance: (1) standards and good practices; (2) global market intelligence, data, and analytics; and (3) innovative business solutions.

## OUR VISION

CGAP works toward a world in which poor people are considered valued clients of their country's financial system. We aim to help build efficient and equitable local financial markets that serve all poor people with convenient and affordable financial services.

# CGAP 2008 HIGHLIGHTS

Three new projects were approved as part of **CGAP's Technology Program**: a project with Nationbank in the Philippines to connect at least 12 microfinance institutions (MFIs) to national automatic teller machine and point-of-sale networks; a project in Ecuador to develop a shared technology platform for 100 MFIs targeting 750,000 client accounts; and a \$2 million project in Andhra Pradesh to enable real-time accounting for 800,000 informal savings and credit groups and their 9 million members. Over the past two years CGAP has funded and helped shape nine demonstration projects, targeting 15 million unbanked people.

- CGAP expanded its work on **"graduation" pilots aimed at creating a pathway out of poverty** for chronically poor people and developed a framework for client monitoring and program assessment. The program carefully sequences grants, assets transfers, livelihood training, and financial services. Launched in 2006 with the Ford Foundation, five pilots are underway in India, Pakistan, and Haiti, and four more are planned in Ethiopia, Honduras, Peru, and Yemen.
- As of June 2008, CGAP was working with 13 commercial banks to develop new microfinance services or improve existing ones. These include EcoBank in Ghana, Syria Savings Bank, Cairo Amman Bank in Jordan, BMCE in Morocco, Forus Bank in Russia, Tameer Bank in Pakistan, Equity Bank in Kenya, and Banco de Nordeste, Microinvest, and Unibanco in Brazil.
- The 150 organizations that make up the Social Performance Task Force agreed to a common set of **indicators to measure social performance** of MFIs. As of June 2008, 30 MFIs were collecting information on these indicators.
- CGAP's **Information Systems Program**, a joint CGAP–European Union program, helped finance 22 MFIs in 16 countries to conduct system assessments, select and implement a new software, or improve the reporting function of their current system. In total, more than 120 such assessments have been approved from 2005 to 2008.
- CGAP provided **analysis on the regulatory environment for branchless banking** in 10 countries and co-authored with DFID a Focus Note for central bankers and other regulatory authorities. In the course of this work, CGAP consulted with more than 600 central bankers, other regulators, and executives from the microfinance, banking, mobile phone, and technology industries.
- CGAP provided advice on microfinance-related laws or policy reforms in 12 countries: Cambodia, Laos, Egypt, the Democratic Republic of Congo, Kosovo, Argentina, Mexico, Syria, the Maldives, Vietnam, Madagascar, and Malawi.
- CGAP conducted **advisory work, regional policy fora, and awareness-building events** on policies affecting access to finance in 14 countries—Brazil, Cambodia, Cameroon, Kenya, Kyrgyzstan, Rwanda,





Mexico, Russia, Nicaragua, Syria, Afghanistan, Cambodia, Madagascar, and the United Kingdom—and the Central African Economic and Monetary Community (CEMAC) region, and provided training to 200 staff of microfinance supervisory agencies in Africa.

- Created by CGAP and spun off in 2002, MIX is the leading provider of business information and data services for the microfinance industry. As of June 2008, more than 1,250 MFIs and 100 funders reported to MIX ([www.mixmarket.org](http://www.mixmarket.org)).
- CGAP launched two key documents for investors: (1) the 2007 **Microfinance Investment Vehicle Benchmarking Report** provided the first publicly available information on the financial performance of microfinance investment vehicles and (2) CGAP's **Microfinance Investment Vehicle Disclosure Guidelines**, developed and endorsed by 35 industry and capital market experts, provided a standardized reporting framework to analyze microfinance fund performance.
- Seven funders (ADB, CIDA, FMO, GTZ, KfW, SIDA, and UNCDF) participated in the pilot round of the **SmartAid Index**, a tool that provides scores on how

well funders are set up to support access to finance work. These funders account for about one-third of all cross-border funding committed to microfinance, amounting to US\$4.2 billion. Results from a second round of SmartAid will be available in FY2009.

- CGAP published 20 new research papers that reached approximately 100,000 people. More than 200,000 individual print pieces and 5,000 CDs were distributed. And more than 100 CGAP publications were translated into French, Spanish, Portuguese, Arabic, Russian, Chinese, and Bahasa.
- CGAP staff spoke at more than 100 industry events, either headlining or promoting new research. CGAP provided background information for more than 600 articles by mainstream, regional, and trade press.
- With almost 1 million visits, more than 4 million page views, and 50,000 monthly unique visitors from 200 countries, **Microfinance Gateway** ([www.microfinancegateway.org](http://www.microfinancegateway.org)) is the most comprehensive online resource for the global microfinance community. With a library of over 7,000 microfinance documents, Microfinance Gateway consistently ranks at the top in Google searches for microfinance.

# CURRENT STATE OF MICROFINANCE

The microfinance industry has undergone dramatic transformations in the past five years.

- **Microfinance has become increasingly integrated into the formal financial system**, as more commercial banks and retail institutions take up microfinance as a business line. New types of service providers are entering the market in many countries, including telecommunications networks, retail outlets, and credit card companies. Some are reaching very poor clients. At the same time, some commercially oriented microfinance institutions (MFIs) are collecting deposits and tapping into domestic and international capital markets to raise financing necessary to fuel growth.
- **Traditional MFIs have matured** and are growing rapidly. On average, half of all profitable MFIs are breaking even within three years of start-up, much faster than their predecessors.
- **More institutions are offering a broader range of financial services**, such as flexible deposit services, insurance services, and money transfers. However, microcredit continues to dominate in many countries.
- **The need for commercial business practices has become widely recognized** as a precondition for sustainable provision of services. While in its early days microfinance was heavily subsidized by donor money, today most microfinance clients are served by financially sustainable institutions that charge interest rates that cover the costs of their lending and other services. And interest rates are dropping—on average 2.4 percent a year.
- **Microfinance is attracting funds from more diverse sources.** In addition to major development finance institutions and multilateral and bilateral development agencies, new funders are coming in quickly. Development finance institutions, the private investment arm of development agencies, have stepped up their investments, with US\$4.1 billion outstanding. Private philanthropists and socially responsible investors have entered the field. As of 31 December 2007, 91 microfinance investment funds were active with assets under management of US\$5.4 billion.
- **Microfinance is high on the agendas of many developing country governments.** This increased interest has both positive and negative implications for access to finance. A wider understanding of what it takes to build sustainable access, more helpful legal and regulatory frameworks, and a greater focus on consumer protection and financial education are all positive developments. However, the reintroduction of low interest rate caps and the creation of government-sponsored, direct-lending institutions, in some countries, could have negative consequences for the development of a robust microfinance industry.
- **The business model for financial service delivery is disaggregating** as new partnerships among MFIs, banks, and more recently, telecommunications and credit card companies form. Such contractual arrangements frequently enable MFIs, self-help groups, or other agents to focus on client relationships, while a bank provides back-office services and a telecommunications company provides transaction processing.
- **Mobile banking could become the primary banking channel for large segments of poor people.** Branchless banking—the use of communications technologies, such as cell phones and nonbank retail institutions to deliver financial services—has dramatically reduced the cost of delivering financial services to low-income populations in some countries and is spreading rapidly.



The microfinance industry has undergone dramatic transformations in the past five years.

- **The industry has become more professional**, with more and more financial service providers adhering to performance and disclosure standards developed by CGAP and others. Compliance is driven by investors and market expectations.
- **The need to measure impact on poor people's lives, the poverty levels reached, and the social performance of institutions is gaining support.** New socially responsible investors have joined traditional donors and a growing number of practitioners in calling for better measurement tools. Consensus is building that client protection measures, such as clear and transparent product terms and conditions, are needed.

# REMAINING CHALLENGES, GAPS, AND CONSTRAINTS

For all of the accomplishments—and the fresh exposure microfinance has received within the past few years—the gains are still fragile, and significant gaps and constraints to achieving universal access to finance remain.

- Product diversity remains limited, especially well-designed deposit products and transaction accounts that could be the gateway for other services.
- Capacity at the management and staff level of microfinance providers remains limited.
- Despite the increasing engagement of commercial banks and retail institutions, real competition among retail providers is limited. Without the pressure of competition, costs to poor clients remain high, pricing is opaque, and quality services are limited in most markets.
- The local financial market infrastructure for microfinance remains underdeveloped in most countries. Rudimentary payments systems and a lack of credit bureaus thwart access to finance. Shallow local debt and equity markets limit the ability of financial institutions to raise capital domestically.
- Service expansion is constrained by large distances between client population and lack of financial literacy and credit histories. Expansion and adoption of services are also held back by clients' own perceptions and behaviors.
- In many markets, subsidized government lending programs and poorly designed wholesale lending institutions continue to undermine the development of sustainable financial services. The capacity of supervisory authorities to implement policies effectively is often weak.
- Most investors seek to fund already successful institutions, rather than fund riskier institutions or invest in developing market infrastructure, which is sorely needed.
- Despite important advances, further refinements and incentives for measuring and reporting on social performance are needed. The debate around market conduct is set to continue as the industry struggles to balance social and financial goals effectively.



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# EVALUATING CGAP'S ROLE

In 2007, CGAP undertook an extensive process of industry-wide consultations with a broad range of organizations engaged in the access-to-finance arena, including MFIs, banks, microfinance networks, governments, donors, and investors. The goal was to assess the current and future needs in microfinance and to determine the role CGAP should play in this rapidly changing environment. Key inputs to this process included a global survey and independent evaluation of CGAP's performance in the past three years.

## Selected Findings from the Evaluation of CGAP Phase III (2003–2008)

The evaluation was conducted by a team of three independent consultants consisting of Klaus Maurer, Sarah Forster, and Michael Mithika. The evaluation team conferred with a broad range of stakeholders and conducted a sweeping literature review.

- CGAP's training and capacity-building initiative has been a great success.
- The strong and effective communications capability is highly rated by all stakeholders: "CGAP publications and knowledge products are considered among the most important and influential sources in... microfinance."

## Effectiveness

- The CGAP operational team has made clear progress in promoting greater institutional diversity in microfinance. But CGAP has done little work so far on financial cooperatives and state banks, which deserve more attention.
- Work on transparency has been excellent. "CGAP can lay claim to having contributed to improved quality and increased quantity of information available today from different microfinance actors."
- Attribution for policy changes is difficult to measure, but there are increasing examples in which CGAP interventions have had a decisive effect on policy makers. CGAP is well on track to achieve expected policy and legal framework outputs.
- Aid effectiveness is an area where CGAP has a clear mandate and an absolute advantage; it has made some very good progress.



## EVALUATING CGAP'S ROLE, continued

- "The CGAP operational team has produced high-quality outputs during Phase III. With a few exceptions, the team is on track to produce almost all outputs."

### Accountability

- Measurement of outputs is well developed, but more work is needed on tracking contribution to longer term outcomes and objectives: "CGAP has adequate governance and management systems that are transparent and thorough in providing information about the program."

### Value for Money

- The evaluation team is confident that CGAP represents value for money and it compares favorably with other organizations with similar activities and mission: "CGAP is a cost-effective and competitive organization."
- "Overall, CGAP is a powerful and pivotal force in the field, [and it plays] a critical role in helping others to build inclusive financial systems. It produces high-quality, high-value work that is universally respected. CGAP provides good value for money and has earned a highly coveted brand. It has long moved from being a 'program' to being an organization of central importance to helping achieve the vision of 'access for all' in terms of financial services."



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and has earned a highly coveted brand.

# CGAP STRATEGY

In June 2007, CGAP's members endorsed the strategy that will guide CGAP for the next five years (2008–2013). This strategy was shaped by extensive industry-wide consultations, including a scenario-building exercise that analyzed key global forces impacting the future of microfinance, a global client survey, an independent external mid-term evaluation of CGAP, a virtual conference on the future of microfinance and the role CGAP should play, and focus groups with microfinance practitioners, donors, investors, and policy makers in different regions of the world.

CGAP's overarching objective is to help build financial systems that work for the poor, with a particular emphasis on building local, deposit-driven markets. Our focus, for at least the next five years, is to ensure that those local financial markets are equitable—that they benefit poor people of all levels of poverty—and efficient—so that poor people do not pay for inefficient institutions and systems—and that finance for the poor is fully integrated into mainstream markets.

The next phase of CGAP's work will focus on three roles that emerge from our distinct comparative advantage as identified by our stakeholders:

- Developing standards and providing advocacy and advisory services around those standards.

- Providing objective, high-quality market intelligence complemented by sector data and analytics.
- Supporting experimental new approaches, delivery channels, and product designs.

We aim to be an informed, credible, and objective industry organization that is able to raise controversial issues and advocate for difficult change and reform. We seek to stimulate and facilitate industry debate. We're open to all views, but we also know it is important to take well-considered, even if unpopular, positions.



# About *this* Report

**Financial Market Infrastructure**—Building a sound financial infrastructure for better access to finance requires developing efficient, technology-enabled financial delivery mechanisms that are able to process small transactions at low cost and provide reliable information on the performance of microfinance providers.

**Pro-Poor Financial Services**—Developing a broad range of pro-poor financial services is necessary because different segments of the poor need different kinds of financial services. This requires engaging a broad range of institutions and mechanisms to deliver financial services to poor people. Emphasis is on identifying and learning from innovative products and services that reach very poor and unserved populations.

**Governments**—Fostering supportive policy environments for microfinance means advising policy makers and regulators on policy issues that affect poor people's access to finance, developing diagnostics on policy issues, and disseminating research and guidelines on appropriate microfinance regulations.

**Donors and Investors**—Helping donors and investors use their resources more effectively entails building consensus around and promoting good practice standards, improving transparency on funding flows, providing strategic advisory services to funders, and building donor and investor staff capacity.

This Annual Report outlines CGAP's work in Fiscal Year 2008 (July 2007 through June 2008). This work is described according to the key strategic areas set forth by CGAP's members for 2003–2008.

**Communications and publications** are a cornerstone of CGAP's role as a key knowledge center and convening platform for the microfinance industry. Our communications and publications serve to maximize the uptake and impact of CGAP's work.

**Monitoring and evaluation** are the means by which CGAP approves, monitors, and measures the performance of both internally managed projects and financial commitments to external institutions.

# Building Financial Market Infrastructure

An inclusive financial system that seeks to serve poor people must be able to process small transactions at low cost. CGAP has invested deeply in understanding, promoting, and improving these financial market infrastructure and cost-reducing models over the past several years.

New technologies and technology-enabled business models continue to emerge that have the potential to significantly expand financial services to poor people, especially those living in remote rural areas. Mobile phone banking and other technologies are already dramatically reducing the costs that banks and MFIs incur in providing financial services to low-income populations. With much lower costs and more convenient services, we would expect formal financial services to become more attractive to poor people than the informal but more costly—and often less secure—options they have today. In Kenya, for example, Safaricom's m-Pesa mobile wallet service, which allows clients to transfer money using a mobile phone, is a less costly, quicker way to send money from urban to rural areas. In a country with 4–5 million bank accounts, Safaricom has registered more than 3 million users of m-Pesa in just 18 months.

To successfully apply technology solutions to financial access on a large scale, many things need to happen: there must be multiple physical retail access points, low-cost and tailored services, simple and clear product disclosures, and sound providers. All of this can emerge only with changes in institutional behavior, consumer mindsets, and a common set of regulatory approaches. Solving these problems requires a deep understanding of poor customer's options and preferences, providing incentives for commercial players for risk-taking, sensitizing central bank authorities to new regulatory approaches, and finding creative ways for everyone in the system to benefit from these services.

CGAP works on many levels to develop an efficient financial market infrastructure and to expand poor people's access to financial services. This work includes developing technology-based business models, such as branchless banking and mobile banking, that reduce transaction costs. It also encompasses market-based programs that encourage transparency on the performance of microfinance providers.

## DEVELOPING MORE EFFICIENT DELIVERY CHANNELS THROUGH NEW TECHNOLOGIES

The goal of CGAP's Technology Program, launched in 2006 with co-funding from the Bill and Melinda Gates Foundation, is to demonstrate technology-based models that can dramatically expand poor people's access to financial services. To this end, CGAP advises financial institutions, informal grassroots organizations, governments, technology companies, and funders; conducts market research on poor people's adoption of technology; and offers grant funding for technology-based projects that have near-term potential to rapidly scale up access to finance. Our objectives are to massively increase access to finance for poor people by (1) demonstrating viable technology approaches that overcome constraints to poor people's access to payments services and, ultimately, to loan and savings services and (2) advocating regulatory frameworks that balance opportunities for expanded access with adequate protection for consumers and the financial system.

### Demonstration Projects

Through two years of research and experimentation, CGAP has funded and helped shape nine demonstration projects targeting 15 million unbanked people, working with multiple market actors, such as MFIs, banks, mobile

network operators, and payment system providers. The first round of demonstration projects approved last year is beginning to yield lessons at the operational and business model levels. A second round of three new projects was approved in FY2008:

- A project with Nationbank in the Philippines to connect at least 12 MFIs to national automatic teller machines (ATMs) and point-of-sale (POS) networks.
- A four-year project with Red Financiera Rural in Ecuador to develop a shared technology platform for 100 MFIs targeting 750,000 client accounts.
- A US\$2 million project in Andhra Pradesh to enable real-time accounting for 800,000 informal savings and

credit groups and to create individual financial profiles for their 9 million members.

Updates from ongoing projects (including three new projects started just after the fiscal year ended) are as follows:

- XacBank, a microfinance bank in Mongolia, is completing design of its mobile banking channel to serve poor people in urban and rural areas with cell phones and cash-handling agents.
- CXI in the Philippines has launched a mobile wallet and payment services in three rural provinces, with 45,000 newly registered customers and 1,100 active agents.

## BRANCHLESS BANKING: THE EARLY EXPERIENCE

In 2006, CGAP published three papers highlighting the logic of branchless banking and the activities of early adopters (“Using Technology to Build Inclusive Financial Systems”), reporting on an early customer survey on mobile banking users in South Africa (“Mobile Phone Banking and Low-Income Customers”), and analyzing the main regulatory issues (“Use of Agents in Branchless Banking for the Poor”). As this area grew and CGAP gained more experience and insight, CGAP published in the first half of 2008 a series of more in-depth papers:

- “The Early Experience with Branchless Banking” (Focus Note 46) distills the early worldwide experience with branchless banking and addresses seven basic observations from existing deployments mainly in the Philippines, Kenya, South Africa, and Brazil. Authors Ivatury and Mas also propose four key uncertainties and four predictions. They consider the two main types of branchless banking channels: card/POS-based retail agents and mobile banking.
- In “Regulating Transformational Branchless Banking,” Lyman, Pickens, and Porteous (Focus Note 43) analyze the specific regulatory issues raised in detail, collecting the findings of branchless banking policy diagnostics CGAP conducted in seven developing/transition economies.
- In “Banking Through Networks of Retail Agents,” Mas and Siedek (Focus Note 47) explain in detail the strategic logic and functioning of one type of branchless banking channel: retail banking agents. This is a card-based scheme where shops are equipped with bank-issued POS terminals and act on the behalf of banks. The paper explains how a financial institution can set up, manage, and optimize such a channel.
- In “Being Able to Make (Small) Deposits and Payments, Anywhere,” Mas (Focus Note 45) takes the logic of retail banking agents further by describing the benefits of building shared agent networks across all banks, just as POS networks or ATM networks are shared today in many countries. In so doing, he raises the possibility of creating a ubiquitous network for cash-in/cash-out.

- In Kenya, Equity Bank is setting up a technology platform to accept rural deposits through mobile phones.
- In the Maldives, the Monetary Authority is developing a national mobile banking system that will expand access to finance in remote island communities.

As part of this research and experimentation, CGAP has helped advance “branchless banking” as a low-cost channel to deliver financial services to rural and remote areas. Branchless banking is the delivery of financial services outside conventional bank branches, using information and communications technologies and nonbank retail agents, such as card-based networks, or mobile phones. The first phase of our research focused on understanding the basics of branchless banking. We now are expanding our learning through partnerships with industry leaders, such as Microsoft Research (India) and Visa, to examine customer adoption issues more systematically. Several of our branchless banking projects are now starting to yield operational data and trends.

### Policy and Regulation

In countries where branchless banking has taken hold, financial regulators share a common challenge: how to formulate a regulatory approach that gives space for innovation but also protects clients and allows branchless banking to scale up in a sound manner. In FY2008, CGAP delivered three country-level policy diagnostics to complement the 11 policy diagnostics that were released in 2007. The CGAP policy team also met with more than 185 regulators worldwide to provide guidance on adapting policy and regulation for branchless banking. Recognizing the pressing need for regulators to learn from one another in this new and fast-moving area, CGAP and the UK Department for International Development (DFID) co-sponsored the first “Windsor Seminar on Regulating Transformational Branchless Banking” in March 2008. This annual peer learning event was attended by high-level officials from central banks, economy ministries, finance ministries, and telecommunications ministries from 12 countries on the forefront of branchless banking regulation. In addition, CGAP’s “Regulating Transformational Branchless Banking” (Focus Note 43) was circulated by the



GSM Association to its more than 750 mobile network operator members around the world.

### Advocacy and Information Sharing

In addition to collaboration with market players, such as Visa, IFC, Microsoft Research, IBM, and Vodafone, CGAP has sought to leverage its role as a public good for advancing industry knowledge. We have promoted discussions on branchless banking through the world’s first microfinance technology blog on [cgap.org](http://cgap.org), in the trade and mainstream press, and at more than 30 industry events, including several organized by CGAP. These included a three-day seminar, “Next Generation Access to Finance,” co-sponsored with IFC and Visa, that focused on mobile banking, customer adoption, and credit scoring. This seminar and the conference co-hosted with DFID drew nearly 700 participants from the financial, telecommunications, and development communities. CGAP’s work in branchless banking has been reported in the mainstream press, including *The Economist*, *The Christian Science Monitor*, *The Banker*, *Financial World*, and *National Public Review*, among others.

### BUILDING TRANSPARENT REPORTING IN MICROFINANCE

Improving performance information throughout the microfinance industry is a core CGAP function. Reliable and comparable reporting on the social and financial performance of microfinance service providers is an essential part of a well-functioning financial system because it allows investors to make informed decisions, ensures that financial providers function professionally,

and most important, protects vulnerable clients by exposing unfair or unsound practices. Improved transparency in microfinance will also attract new investors to the sector. CGAP promotes financial and social transparency in microfinance through standardized reporting formats, data collection, and incentives to microfinance practitioners.

### The Microfinance Information Exchange (MIX)

Created by CGAP and spun off in 2002, MIX is the leading provider of business information and data services for the microfinance industry. It offers reliable, comparable, and publicly available information on the performance of MFIs and the organizations that fund them, through MIX Market ([www.mixmarket.org](http://www.mixmarket.org)) and *MicroBanking Bulletin*. As of June 2008, more than 1,250 MFIs and 100 funders reported to MIX. MIX operates as a nonprofit private company funded by CGAP, Citigroup Foundation, Deutsche Bank Americas Foundation, Open Society Institute, Rockdale Foundation, Bill and Melinda Gates Foundation, and MasterCard Foundation. CGAP has two board seats, provides active oversight, and partners on research projects.

### Rating Fund

After five years of operation, the multidonor Rating Fund, which provided co-financing for ratings and assessments of MFIs, closed in December 2007. A joint initiative of CGAP, Inter-American Development Bank, European Union, and the Government of Luxembourg, the Rating Fund aimed at improving the quality and quantity of information on the performance of microfinance providers. From its launch in 2002 through 2007, the Fund financed 471 MFI ratings and assessments by 16 prequalified rating agencies, with all rating reports publicly available. This increased transparency has influenced funding flows to MFIs, making it easier to attract investors' interest. Ratings are now often used by microfinance investors as part of their due diligence and investment monitoring. In addition, the Rating Fund has helped build a diverse supply of rating services. An external evaluation of the Rating Fund was conducted in early 2008 and is available on [cgap.org](http://cgap.org).

### Information Systems Program

Created by CGAP and in partnership with the European Union's Africa, Caribbean and Pacific Programme, the Information Systems Program provides co-funding and advice to MFIs that wish to improve the effectiveness of their technology systems. The Information Systems Program includes co-funding of advisory services by independent consultants on a range of technology issues, independent reviews of commercial off-the-shelf software for microfinance, and diagnostic tools that MFIs can use to self-assess their technology preparedness. These activities are designed to encourage MFIs to adopt a sound information system that will enable them to better track client performance, anticipate repayment problems, and market appropriate products to different client segments. From July 2007 through June 2008, CGAP helped finance 21 information systems assessments. In total, more than 120 such assessments have been approved from 2005 to 2008.

### Social Performance Reporting

Increasingly, many microfinance practitioners and the organizations that fund them are seeking rigorous and transparent ways to determine whether microfinance is truly achieving its social goals, such as improved nutrition, health, housing, and education. Formed in 2005 by the Ford Foundation, the Argidius Foundation, and CGAP, the Social Performance Task Force is a group of microfinance practitioners, donors, researchers, and other stakeholders that has taken on the challenge of channeling this growing interest toward an industry-wide consensus on standardized measures of social performance in microfinance. In 2007, the 150 organizations that are members of the Task Force agreed on a common social performance reporting framework: a set of indicators that institutions can use to report on their social performance. As of June 2008, 30 MFIs were collecting these indicators and pledged to report them to MIX by 2010.

## Developing Diverse Pro-Poor Financial Services

Depending on their circumstances, poor people need different financial services at different points in time, whether it is a small loan, a safe place to save money, or the ability to transfer or receive cash conveniently and safely. For extremely poor people who are without regular income, other forms of assistance might be needed—such as access to food, clean water, basic infrastructure, housing, and income-generating opportunities—before they can make effective use of microcredit.

CGAP's goal is to ensure that all poor people, including very poor and hard-to-reach people in rural areas, have access to a range of convenient and affordable financial services. We are particularly concerned about ensuring that the increasing commercial focus of microfinance—while a positive development for the industry—does not leave the poorest and most vulnerable people behind; that the costs of loans and other financial services are competitive, ethical, and transparent; and that sound business practices are respected. In FY2008, CGAP's work in this area focused on promoting savings, money transfers, and initiatives aimed at helping microfinance reach the poorest and marginalized segments of society through innovative delivery channels.

### SAVINGS

Research has repeatedly demonstrated that saving is central to poor people's economic management strategies. Poor people worldwide want safe, convenient savings services that enable them to keep small balances that they can access easily. CGAP's savings initiative seeks to advance the knowledge and practice of small savings mobilization among financial institutions, policy makers, and funders and to promote deposit mobilization as a critical source of local funding for MFIs.

In FY2008, CGAP partnered with institutions such as the World Savings Banks Institute and Innovations for Poverty Action to gain greater insights into the poverty level of savings clients and the effectiveness of marketing techniques for savings products. In addition, CGAP published a technical tool that assesses factors affecting the supply and demand for deposit services at the country level. "Country-Level Savings Assessment Tool" was designed for use by financial institutions, policy makers, and funders that want to promote small-balance deposit mobilization. It is currently being translated into French to meet extensive demand for it in Francophone Africa.

### MONEY TRANSFERS

In many developing countries, poor people continue to lack access to reliable domestic and intraregional money transfer services. In 2007, CGAP joined the International Fund for Agricultural Development, the European Union, the United Nations Capital Development Fund, the Inter-American Development Bank, and the governments of Luxembourg and Spain in launching a global fund for remittances. The \$11 million fund provides technical assistance to pro-poor financial institutions that demonstrate credible strategies for money transfers in rural areas. From 250 applications received in 2008, 43 proposals were shortlisted and 13 selected. CGAP also field tested and published a Technical Guide, "Making Money Transfers Work for Microfinance Institutions," aimed at helping financial institutions enter this market.

### GRADUATION PROGRAMS

One of the critical challenges facing the microfinance industry is the development of financial products and methodologies for very poor or difficult-to-reach

populations. In FY2008, CGAP expanded its work on “graduation” pilots aimed at creating a pathway out of poverty for chronically poor people by linking safety net programs with microfinance services. Launched in 2006 with the Ford Foundation, the program is based on a methodology developed by the Bangladesh Rural Advancement Committee’s (BRAC) Ultra Poor Program and carefully sequences grants, assets transfers, livelihood training, and financial services. Today, five pilots are underway in India, Pakistan, and Haiti, and four more are planned in Ethiopia, Honduras, Peru, and Yemen. In May 2008, all graduation pilot stakeholders gathered in Delhi, India, to discuss key issues and challenges in the graduation methodology. In FY2008, CGAP developed frameworks to track client progress and program performance. Client

monitoring is being implemented in all sites; a qualitative assessment has already been conducted in Haiti.

## PRO-POOR INNOVATION CHALLENGE

CGAP’s Pro-Poor Innovation Challenge (PPIC) awards program seeks to demonstrate that microfinance can reach poorer people and services can be designed to reduce their vulnerability. PPIC provides annual awards of up to US\$50,000 to institutions that develop innovative financial products and methodologies to reach very poor and marginalized clients. To date, 54 MFIs in Asia, Africa, Latin America, and Eastern Europe have received PPIC awards.

## HOW THE GRADUATION PROGRAM WORKS: FONKOZE, HAITI

Fonkoze is the largest MFI in Haiti, with 30 branches in rural areas, 165,000 active clients (including 50,000 borrowers), and a loan portfolio of \$11 million. Women make up 99 percent of its clients.

Fonkoze realized that its existing microfinance products were not reaching the poorest. With help from CGAP, Ford Foundation, and Concern Worldwide (a nongovernmental organization) and technical assistance from BRAC, Fonkoze is implementing a graduation program called “Chemin Lavi Miyo” (CLM), which means “pathway to a better life” in Creole. Fonkoze’s CLM pilot program includes 150 households and targets women in chronically food-insecure households with no productive assets. The program is being financed by CGAP and Concern Worldwide. Participants in the program receive the following:

- Transfer of an income-generating asset (e.g., goats, chickens) and intensive entrepreneurship training
- A stipend of 210 *gourdes* (~US\$7.50) a week for eight months
- Bi-weekly home visits by a case manager to discuss social/health issues, as well as to oversee the assets
- Medical assistance provided through local partners
- Water purification filters
- Housing support
- Support from local village assistance committees

A mid-term assessment of the program showed that it was successful in reaching the extreme poor target group and that participants are generally below the economic levels of Fonkoze’s regular microfinance clients. CLM participants demonstrated significant improvement on multiple dimensions of poverty: severe child malnutrition was eradicated in two areas and significantly decreased in the third area.

## RETAIL ADVISORY SERVICE

Through its Retail Advisory Service (RAS), CGAP helps interested commercial banks use their existing infrastructure to develop the financial services and products that help them serve poor clients. RAS offers banks and other commercial retail providers a package of technical assistance, co-financed by CGAP and the banks themselves, that includes the following:

- New product launches
- Product and process design and integration of new products into existing services
- Management information systems to adapt each bank's existing information technology to fit microfinance specifications
- Marketing for target-group-oriented campaigns
- Training in good practice microfinance and lending technologies
- Strategic planning and human resource management

As of June 2008, 13 commercial banks in 12 countries had partnered with CGAP to develop new microfinance services or improve existing ones. These included EcoBank in Ghana, Syria Savings Bank, Cairo Amman Bank in Jordan, BMCE in Morocco, Forus Bank in Russia, Tameer Bank in Pakistan, Equity Bank in Kenya, and Banco de Nordeste and Unibanco in Brazil.

After three years of operation, RAS resources have provided valuable input to bank owners and senior management in their deliberations about launching new business lines that reach down market. Several observations and lessons learned on bank "downscaling" are emerging. First, investments in institution building, governance, and human resources are just as critical as new products and systems development. Second, products and processes must be adopted from best-practice microfinance rather than conventional bank lending instruments. Third, smaller banks appear to be more promising than larger ones, in part because owners and managers of small institutions are more interested in the kind of institutional transformation



that involves changing client group orientation and lending methodology. Finally, there is significant potential for linking with other partner institutions to ensure broader outreach, diversity of microfinance products, and accessible affordable delivery channels.

Having achieved its goal of demonstrating different approaches to bank downscaling, RAS is being phased out in 2008. A technical guide on lessons learned will be published in 2009.



## Fostering Supportive Policy Environments

Many developing country governments are turning to microfinance as they recognize the power of expanding access to financial service to their poor population. CGAP's goals in the policy area are to (1) foster a diversity of institutions and financial products for poor people through policy and legal regimes that are not biased in favor of one institutional model or product; (2) establish supportive legal and regulatory frameworks that safeguard poor people's money and promote competition; and (3) help build the technical expertise of government supervisory and regulatory authorities.

Driven by governments' strong interest in microfinance, CGAP's policy advisory services continued to expand in FY2008. The policy issues on which CGAP's input was sought also evolved rapidly, extending beyond the more traditional areas of microfinance supervision and regulation to include a growing range of access-to-finance-related topics, such as branchless banking and consumer protection.

### INTERNATIONAL AND COUNTRY-LEVEL POLICY CONSULTATIONS

Upon request, CGAP engages in country-level consultations with government agencies that wish to improve the policy environment for access to finance in their country. CGAP's policy advice includes awareness-building consultations, policy diagnostics, critical reviews of draft strategies, policies, laws, and regulations affecting microfinance, and seminars and training. In FY2008, CGAP did the following:

- Provided comments on microfinance-related laws or policy reforms in 12 countries (Cambodia, Laos, Egypt, the Democratic Republic of Congo, Kosovo,

Argentina, Mexico, Syria, the Maldives, Vietnam, Madagascar, and Malawi).

- Conducted country- and region-specific consultations and awareness-building events in 12 countries (Brazil, Cambodia, Kenya, Kyrgyzstan, Rwanda, Mexico, Russia, Nicaragua, Syria, Afghanistan, Cambodia, and Madagascar) and the CEMAC region.
- Conducted policy diagnostics in the Democratic Republic of Congo, Egypt, Lebanon, and Syria.
- Provided training to about 200 staff of microfinance supervisory agencies in three countries in Africa.

In response to policy makers' increasing demand for guidance and information on regulating branchless banking, CGAP focused much of its policy work in FY2008 on advising governments on regulatory approaches to branchless banking. In January 2008, CGAP and DFID co-published "Regulating Transformational Branchless Banking: Mobile Phones and Other Technologies to Increase Access" as a guide to central bankers and other regulatory authorities on appropriate responses to branchless banking models. In March 2008, CGAP and DFID co-sponsored a seminar on branchless banking regulation that brought together 55 representatives from central banks in 12 countries where branchless banking is taking off. In total, CGAP has consulted with more than 600 central bankers, other regulators, and executives from the microfinance, banking, mobile phone, and technology industries, in the course of assessing the regulatory environment for branchless banking in 10 countries.

In addition, CGAP sponsored two high-level regional policy forums on access to finance:

- In March 2008, the Central Africa Policy Forum in Yaoundé, Cameroon, drew 54 high-level participants from Cameroon, Congo, Central African Republic, Gabon, the Democratic Republic of Congo, Rwanda, Burundi, and Madagascar. The forum was co-funded with the multidonor Financial Sector Reform and Strengthening Initiative, the European Union's ACP Microfinance Program, the World Bank's Making Finance Work for Africa Initiative, the French Ministry of Foreign Affairs and French Agency for International Development, and the United Nations Advisors Group on Inclusive Financial Sectors, represented by H.R.H. Princess Maxima of the Netherlands.
- In June 2008, the Central Bank of Brazil, with support from CGAP, the Association of Banking Supervisors of the Americas, the United Nations Advisors Group for Inclusive Financial Systems, and the Andean Development Corporation, organized the second Latin American Conference on Supervision and Regulation of Microfinance in Brasilia, Brazil.

#### **Roundtable on National Microfinance Strategies.**

Building on a review of national microfinance strategy documents and interviews with over 50 stakeholders, CGAP convened key development organizations that are funding national microfinance strategies (World Bank, UNCDF, GTZ, and KfW) to discuss their experiences. The discussions highlighted the positive contributions of national microfinance strategies, such as improved dialogue among stakeholders, but also pointed to some serious challenges, such as weak sector diagnostics, insufficient government capacity, and template action plans. These findings were published in a CGAP Brief on national microfinance strategies.

#### **LAW LIBRARY**

The Law Library is an online global database that provides country-level information on microfinance-related regulation and supervision in 52 countries. The Law Library's use grew dramatically in FY2008, making it one of the most popular CGAP resources on the Microfinance Gateway, with an average of 6,244 page downloads each month.

CGAP has been laying the groundwork to explore consumer protection policy and regulation that is appropriate for financial services and providers at the bottom of the pyramid. Fieldwork and policy analysis were launched to identify pragmatic regulatory responses to "hot button" issues in microfinance—such as making credit pricing more transparent to clients and avoiding lending practices and products that are likely to lead to over-indebtedness.

Participating in the South Africa Financial Sector Assessment Program mission enabled CGAP to assess how the pioneering new market conduct regulator for credit providers is shaping access for low-income consumers in South Africa. CGAP also analyzed lessons emerging from the subprime crisis for the microfinance sector. To raise awareness, we joined with other parts of the World Bank to organize a one-day Global Seminar on Consumer Protection and Financial Literacy, with over 100 participants from videoconference links around the world. This event offered a platform for sharing some initial findings about policy responses that are likely to strike the right balance between access, innovation, and stability.

CGAP also launched a work program to assess broader policy options for expanding access to finance. This includes a worldwide analysis of the performance of state-owned banks and other retail financial institutions serving low-end markets and scans of the role of government as direct funders of microfinance, the universe of local microfinance apex organizations, and the value of national microfinance strategies.



“Without firm commercial foundations, microfinance cannot become the profitable business that it needs to be in order to survive. But without firm ethical principles and a commitment to benefit poor people’s lives first and foremost, it will no longer be microfinance.” Elizabeth Littlefield, CGAP CEO.

## MFI LEADERS, INVESTORS, BANKS, AND DEVELOPMENT AGENCIES SIGN DECLARATION OF INVESTORS' CODE OF CONDUCT FOR CONSUMER PROTECTION

At the initiative of Deutsche Bank, Boulder Institute of Microfinance, and CGAP, leaders of MFIs, investors, banks, and development agencies gathered for the Microfinance Leaders Retreat April 21–23, 2008, in the United States to develop a common ground and set of principles that would help microfinance navigate between commercialization and its social mission. They signed the Pocantico Declaration, which is hailed as the first step toward establishing a code of conduct that could distinguish microfinance from other providers of financial services who lack the social motivation that drives the microfinance industry.

The Pocantico declaration has formed the basis for a broader investor initiative to protect low-income clients from potentially harmful financial practices and products. CGAP has taken the lead in working with microfinance investors to get agreement around six core client protection principles:

- Providers will take reasonable steps to ensure that credit will be extended only if borrowers have demonstrated an adequate ability to repay and loans will not put the borrowers at significant risk of over-indebtedness. Similarly, providers will take adequate care that noncredit, financial products (such as insurance) extended to low-income clients are appropriate.
- The pricing, terms, and conditions of financial products (including interest charges, insurance premiums, all fees, etc.) will be transparent and will be adequately disclosed in a form understandable to clients.
- Debt collection practices of providers will not be abusive or coercive.
- Staff of financial service providers will comply with high ethical standards in their interaction with microfinance clients and such providers will ensure that adequate safeguards are in place to detect and correct corruption or mistreatment of clients.
- Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients.
- The privacy of individual client data will be respected, and such data cannot be used for other purposes without the express permission of the client (while recognizing that providers of financial services can play an important role in helping clients achieve the benefits of establishing credit histories).

Through this broader initiative, many of the largest public and private microfinance investors and asset managers have now endorsed these core principles and committed to a process of working with microfinance providers to improve policies and practices, as well as to incorporate attention to the principles within investment due diligence, oversight, and governance processes.

# Improving the Effectiveness of Microfinance Funding

The microfinance funding landscape has evolved very rapidly in the past few years. Today, a broad range of donors and investors is entering the microfinance market with diverse motivations, risk appetites, and return expectations. More than ever before, governments and practitioners can draw from a vast pool of funding instruments and expertise.

Microfinance funders include bilateral and multilateral agencies, regional development banks, development finance institutions (DFIs), private foundations, individual and institutional investors, microfinance investment vehicles (MIVs), local wholesale facilities (apexes), and international nongovernmental organizations (NGOs). In the past few years, foreign investment in microfinance, led by DFIs and MIVs, has increased particularly rapidly. Interest from private foundations is also expanding, with over 350 foundations funding microfinance, including 40 that have selected microfinance as a key program area. There also has been a surge of developing country governments funding retail microfinance directly, with at least 51 countries announcing more than US\$25 billion in funding.

As long as funding is carefully tailored to specific situations, microfinance can benefit from all of these different funding sources. Donors and investors can spur local sources of funding, such as deposits and commercial funding, by improving information flows, helping to create better policy environments, strengthening the management capacity of institutions, and taking on more frontier or high-risk investments.

Unfortunately, funding for microfinance sometimes stymies the development of local markets, creating distortion and hampering deposit mobilization—in short, crowding out private markets. At the same time, striking gaps remain where funders can help. For example, the Citibank/CGAP Microfinance Banana Skins

2008 Report, which surveys risks facing the microfinance industry, identified management quality as one of the biggest risks. Developing country governments are also frustrated by the lack of progress in rural areas.

CGAP works to optimize the use of funds for microfinance and to improve funding information to promote greater transparency on social and financial performance. We work with the full spectrum of microfinance funders, promoting good practice standards and providing funders with strategic advisory services.

## IMPROVING TRANSPARENCY ON FUNDING FLOWS

### Microfinance Investment Vehicle Benchmarking Report 2007

CGAP has been tracking MIVs since 2004, starting with quantifying funding flows and now focusing more on MIV performance. MIV Benchmarking Report 2007 provides an overview of the MIV landscape and offers insights on the financial performance of different categories of MIVs. Forty MIVs participated in the voluntary survey, representing 87 percent of MIV assets under management as of December 2006. MIV investment levels doubled between 2005 and 2006 to reach a total of US\$2 billion in 2006, and the average net return for fixed-income instruments was close to money market rates (5.8 percent in U.S. dollars). The report is the first comprehensive survey of its kind.

### CGAP Microfinance Funder Portfolio Survey

To address the lack of aggregate, comparable data on the volume of international funding for microfinance, in FY2008 CGAP launched a comprehensive survey to track

microfinance funding flows. Building on three years of efforts to map regional funding flows and survey DFIs, the survey marked the first use of a harmonized methodology for collecting information from different types of funding agencies and consolidating agencies' microfinance portfolios in different regions. Fifty-five funders participated. Initial results will be disseminated by the end of 2008. Cumulative data will be analyzed and shared publicly, and the survey will be conducted annually.

### Foreign Capital Investment in Microfinance

Building on its earlier research on foreign capital investment in microfinance, CGAP published "Foreign Capital Investment in Microfinance: Balancing Social and Financial Returns" (Focus Note 44), which examines the new landscape of cross-border investments and highlights the potential that the burgeoning socially responsible investment (SRI) community represents for microfinance. SRIs are attracted to microfinance because MFIs are "double bottom-line" institutions that seek to have a positive social impact as well as financial returns. With more than US\$4 trillion in assets, SRI currently accounts for only US\$5 million, but it is a fast-growing segment of microfinance funding.

### Developing Country Governments Fund Retail Microfinance

Governments are a substantial source of funding in microfinance. A CGAP study that collected self-reported data on government-funded programs from across the globe found that at least 51 developing country governments directly fund retail microfinance. State banks remain a popular delivery channel, followed by local wholesale funding facilities (often referred to as apexes). Overall, the study counted over US\$25 billion in government microfinance funding announcements (compared with a total DFI investment in microfinance of US\$4 billion). This is just one piece of a picture that's seeing increasing government involvement and has reawakened the debates around what role governments should play in microfinance.

## PROMOTING STANDARDS FOR FUNDERS

### SmartAid for Microfinance Index

In 2006, the heads of 29 major development institutions endorsed the creation of an index that would measure the way microfinance funders work. SmartAid for Microfinance Index (SmartAid) is CGAP's effort to fulfill that commitment.

SmartAid is the first effort of its kind to measure and rate development institutions' management of microfinance funding. SmartAid helps funders understand how their internal management systems, policies, procedures, and incentives affect their microfinance operations. Participating agencies report information on five elements of effectiveness and receive a score and a report detailing their key strengths and weaknesses and recommendations for improvement.

Seven funders participated in the pilot round of the SmartAid Index in 2007: Asian Development Bank, Canadian International Development Agency, the Netherlands' development finance institution FMO, Germany's GTZ and KfW, the Swedish International Development Agency, and the United Nations Capital Development Fund. These funders account for about one-third of all cross-border funding committed to microfinance, amounting to US\$4.2 billion.

The results show mixed performance. Staff capacity emerged as the area with the most challenges, while average scores were relatively high for the "appropriate instruments" measure. Of the seven participating agencies, six agreed to share SmartAid results publicly.

Using the recommendations of the external assessment of the SmartAid pilot round and feedback from participants, CGAP streamlined the instrument and is launching a second round, with results expected in spring 2009.



“SmartAid is useful for UNCDF: Internally, we created an action plan to put the recommendations into practice. Externally, it has helped us identify where the other agencies are strong and how UNCDF can partner with them.” – John Tucker, UNCDF



### Good Practice Guidelines for Funders of Microfinance

*Good Practice Guidelines for Funders of Microfinance* continues to be the leading reference for microfinance funders. In 2008, it was endorsed by the Microfinance Network, a network of 37 MFIs worldwide, as well as OECD's Development Assistance Committee. To help staff of funding agencies apply the guidelines to their everyday work, CGAP developed a user-friendly electronic-book version that provides links to relevant publications, operational tools, and technical guides.

### STRATEGIC ADVISORY SERVICES

CGAP provides strategic advisory services, including technical advice, to help funders who have considerable resources allocated to microfinance to improve their operations. These services are provided on request. Typically, our work focuses on helping funders follow good practices and improve their internal systems, including strategic planning, transparent reporting, and staff training. We work with specific funders at both headquarter and field levels.

In FY2008, CGAP had substantial engagements with several of its members:

- Advising the International Fund for Agricultural Development (IFAD) on updating its rural finance policy and providing comments on decision tools

that guide operational staff's work. On a case-by-case basis, CGAP also provides peer review of key project proposals for IFAD.

- Advising Germany's Technical Cooperation Agency (GTZ) on the development of a national microfinance strategy for Ethiopia in cooperation with the central bank of Ethiopia and the microfinance association. This work followed on the heels of CGAP feedback on the diagnostic of the sector and an analysis of the regulatory framework.
- Meeting with African Development Bank's management to discuss a new direction for microfinance within the institution.
- Collaborating closely with the European Union and African, Caribbean, and Pacific (ACP) states on the Microfinance Framework Programme. In FY2008, the program monitored grants, co-funded capacity-building initiatives, and provided scholarships to policy makers from ACP countries to attend the Boulder Microfinance Training. An independent mid-term review concluded that the program was well on track to achieve its five-year targets and that its activities should be extended.
- Conducting an effectiveness review of Dutch Microfinance Funders. The Dutch Microfinance Platform is a 15-member network of Dutch organizations that fund microfinance. The review

identified three recurrent themes for the Platform to consider: managing the tension between collaboration and competition; learning how to add value in a rapidly evolving microfinance market; and identifying principles for the use of subsidies.

- Advising the World Bank on a proposed reporting framework for microfinance projects aimed at improving data collection and analysis. At the country level, CGAP participated in several financial sector assessments in Africa and is collaborating with the World Bank in India and the Maldives to apply technology solutions in expanding access to finance.
- Providing on-going advice to UNCDF on its sectoral approach of funding microfinance and its new grant program to fund the replication of successful MFIs in developing countries. CGAP took part in UNCDF's strategic team retreat of staff working in Africa, offering inputs into internal organizational issues following the SmartAid report and reviewing efforts on national microfinance strategies.

Highlights of engagements with multiple funders include the following:

- **Training for funder staff.** CGAP and the Microfinance Management Institute, a joint venture between CGAP and the Open Society Institute, offered two successful microfinance training courses in Indonesia and Ethiopia for funder staff. In addition, CGAP delivered shorter, tailored training to headquarters and field staff at DANIDA, the European Commission, the World Bank, and others.
- **Roundtables and workshops.** In addition, CGAP organized several workshops and roundtables for funders. These included roundtables for policy makers on developing country governments' national microfinance strategies, for microfinance investors on responsible finance and consumer protection, and for funders in South Asia.



# REGIONAL INITIATIVES

CGAP's regional initiatives in the Middle East and North Africa, Eastern Europe and Central Asia, and Africa serve as a two-way learning channel for CGAP, our international partners, and the regional and local clients we serve. Our regional initiatives support policy dialogue, aid effectiveness, and communications. The initiatives provide advisory services in close coordination with CGAP headquarters. CGAP's presence on the ground is multiplied by our partnerships throughout the world, including valued relationships with national and regional networks of microfinance practitioners and field staff of our member organizations.

## Middle East and North Africa

Based in Amman, Jordan, CGAP's Middle East and North Africa program significantly deepened its engagement with regional microfinance stakeholders. At their request, CGAP advised the governments of Algeria, Egypt, Morocco, Yemen, Syria, and Lebanon on improving their regulatory framework for access to finance. As a service center for field-based donors, CGAP also provided tailored advice to IFC, KfW, AFD, and IFAD on their microfinance programs in the region. In addition, CGAP and Ford Foundation launched a graduation pilot in Yemen aimed at reaching the poorest, in partnership with the Social Fund for Development and the Social Welfare Fund.

## Eastern Europe and Central Asia

CGAP's work in Eastern Europe and Central Asia focused on deepening its strong relationships with regulatory authorities and policy makers in the region, particularly regarding branchless banking policy. At their request, CGAP advised the governments of Russia, Kyrgyzstan, and Uzbekistan on topics such as improving the environment for branchless banking, developing financial cooperatives, and devising national strategies aimed at increasing poor people's access to a broad range of financial services. Key CGAP publications were translated into Russian and widely disseminated. About 240 financial institutions in the region are currently reporting to MIX. This improved transparency has contributed to increased investor interest in the region, with the volume of commercial investment in microfinance doubling from US\$75 million to US\$150 million in just one year.

## Africa

CGAP continued its deep and longstanding involvement in Africa, with special attention to coordinating funders' activities, providing advisory services to governments and central banks, and promoting financial transparency. CGAP completed its third annual Africa funder survey, with 40 funders reporting, an increase of more than 100 percent from 2006. The survey provides an overview of funders' microfinance activities in Africa, including information such as portfolio, geographic coverage, and types of instruments used. CGAP continued to advise funders on specific regional or country-level initiatives, including the multidonor Making Finance Work for Africa Initiative and DFID's Africa Enterprise Challenge Fund.

Strong regional demand continued for CGAP's policy advisory services. For example, we provided advisory services and reviewed draft laws and regulations in the DRC, Kenya, Rwanda, Madagascar, Cameroon, Mali, the CEMAC region, and BCEAO. Organized by CGAP with key partners, the Central Africa Policy Forum in Yaoundé in March 2008 drew 54 high-level participants from the region.

In FY2008, CAPAF, the regional training program in Francophone Africa co-funded by CGAP, provided training to about 200 staff of microfinance supervisory agencies in three African countries. Since 2000, CGAP, the French Ministry of Foreign Affairs, and USAID have jointly funded CAPAF. CAPAF has partnered with 19 regional and national training institutions in 17 countries to train more than 6,700 people. An independent evaluation commissioned by CGAP, the French Ministry of Foreign Affairs, and Agence Française de Développement found that CAPAF has made important contributions to microfinance development in Africa and recommended transforming CAPAF into a regional office for CGAP in Francophone Africa starting in January 2009.

# Communications *and* Publications

CGAP invests in communications to maximize the uptake and impact of our work with financial institutions, policy makers, and funders. Engagement, advocacy, and outreach are key to our communications strategy.

In FY2008, we built on our reputation as a thought leader for the industry, using our convening platform to advocate for industry standards, including benchmarking MIV performance, and industry-wide consumer protection standards. We provided cutting-edge analysis and advice to policy makers on branchless banking and convened policy makers and regulators at regional forums in Latin America, Eastern Europe, and Africa. We spearheaded dialogue among funders, policy makers, and industry leaders around the need for ethical standards in microfinance and provoked discussion around topical issues, such as the impact of the food crisis on microfinance clients.

CGAP staff spoke at more than 100 public events, either headlining or promoting new research. In addition to providing microfinance background information to the press, CGAP was cited more than 200 times in mainstream, regional, and trade press, as an authority in microfinance and a credible source of data for the industry.

CGAP offers a range of world-class information, both in print and electronically. Highlights for the year included a series of groundbreaking Focus Notes around issues related to technology: regulating branchless banking, early lessons from the use of new technologies in microfinance, and mobile banking. We also published original research on ownership issues for transforming NGOs, guarantees and analysis on the microfinance funding landscape, the demand for microfinance, and lessons from the credit crisis.

## New Web site

In May 2008, CGAP launched its redesigned Web site ([www.cgap.org](http://www.cgap.org)), a dynamic, interactive site. The site offers users new Web 2.0 features, including RSS feeds, photo slideshows, and blogs. With nearly 1 million page views for FY2008, and visitors from more than 150 countries, traffic increased significantly after the new site went live: visits more than doubled to 40,000 a month, users increased by about 20 percent, and page views doubled to 117,000 in June 2008. Following the successful launch of the technology blog in June 2007, the CGAP blog was launched at the end of the year as a platform for dialogue around emerging topics and research in microfinance.

## Microfinance Gateway

Microfinance Gateway ([www.microfinancegateway.org](http://www.microfinancegateway.org)) is the most comprehensive online resource for the global microfinance community. The Web site encourages knowledge exchange by providing access to the latest research and publications, featured articles on industry trends and developments, specialized resource centers, organization and consultant profiles, job postings, and current news and events in the field. With almost 1 million visits and over 4 million page views from 200 countries in FY2008, Microfinance Gateway consistently ranks at the top in the Google search for microfinance. More than 50,000 individual users visited the site each month on average in FY2008, representing a growth of 25 percent from the previous year.

Highlights this year included an annual user survey, which revealed a 98 percent user satisfaction rate with the Web site. The library of over 7,000 documents and the job section were particularly valued. Microfinance Gateway

published 23 original feature articles in partnership with industry players on hot issues, such as the debate about Compartamos' public selling of its shares, lessons from the subprime lending crisis for microfinance, and the phenomenon of online lending platforms.

Microfinance Gateway continued to expand global outreach through affiliate language sites in French ([www.french.microfinancegateway.org](http://www.french.microfinancegateway.org)) and Arabic ([www.arabic.microfinancegateway.org](http://www.arabic.microfinancegateway.org)) in cooperation with partner organizations GRET and ADA in France and Sanabel in Egypt. A Spanish-language site, developed in partnership with INCAE Business School in Costa Rica, will launch in 2009.

## Publications

CGAP published 20 new research papers that reached approximately 100,000 people through print or Web downloads. An average of 16,000 print pieces per month were distributed through direct mail and conferences, totaling 200,000 individual print pieces and 5,000 CDs offering all of CGAP's publications. This three-fold increase in the rate of distribution partly resulted from the decision to print French and Spanish translations for regional distribution. English, French, and Spanish publications are distributed widely upon request through partnerships with national and regional microfinance networks: 100,000 print pieces were requested through 12 networks twice during the year. More than 100 CGAP publications were translated into French, Spanish, Portuguese, Arabic, Russian, Chinese, and Bahasa and are available on [cgap.org](http://cgap.org).



## New Publications

### Focus Notes

Regulating Transformational Branchless Banking: Mobile Phones and Other Technology to Increase Access to Finance (No. 43)

Foreign Capital Investment in Microfinance: Balancing Social and Financial Returns (No. 44)

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The Early Experience with Branchless Banking (No. 46)

Banking through Networks of Retail Agents (No. 47)

Banking on Mobiles: Why, How, for Whom? (No. 48)

### Briefs

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Microinsurance: What Can Donors Do?

Extending Financial Services with Banking Agents

Are We Overestimating Demand for Microloans?

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### Occasional Paper

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## Monitoring *and* Evaluation

During FY2008, CGAP's Investment Committee approved six new projects for a total of US\$8.6 million, with co-financing of US\$2.5 million from CGAP partners. Projects launched during this fiscal year included Phase III of the Policy Initiative, Improving Effectiveness of Microfinance Funding, Phase II of the Graduation Project, Phase III of the Microfinance Gateway, the Banana Skins Survey Project, and the Middle East and North Africa initiative. CGAP is currently implementing 38 projects.

To monitor and evaluate these projects, CGAP uses a combination of review mechanisms that include reviews by the management team and the Investment Committee, internal monitoring reports, annual work plan reports, and work plan updates to the Council of Governors and Executive Committee.

### Internal Monitoring

Performance threshold targets and monitoring indicators are established at the outset of all CGAP projects as part of the proposal process. These proposals are reviewed and approved by the Investment Committee, which comprises senior World Bank Group technical staff and representatives from the Executive Committee and Council of Governors. Monitoring reports are completed for all projects either semi-annually (for external grants) or annually (for internally managed initiatives). At the end of each project, a final report highlights key accomplishments, failures, and lessons learned. These reports are available to CGAP members and other interested partners.

### External Evaluations

CGAP commissions independent external evaluations of major initiatives to measure outcomes against the objectives of specific projects. In recent years, several external evaluations have been conducted for the Rating Fund, Microfinance Gateway, and MIX as well as CGAP as a whole in its Phase III (2003–2008). CGAP expects to continue this practice. Like many development organizations, CGAP is continuously reassessing its monitoring and evaluation system with a view toward strengthening the way it monitors its activities.

Over the next five years, we expect to be able to demonstrate impact on CGAP strategic priority areas: (1) build financial market infrastructure (new delivery channels and transparency on performance), (2) foster supportive policy environments, and (3) improve the effectiveness of microfinance funding.

We are in the process of developing a results management system that will include common output indicators that span priority areas of work as a means of systematically monitoring and measuring performance. Within each of these priority areas of work, independent external evaluations or reviews will be commissioned as a means of benchmarking success to date or flagging the need to change course.

The results management system will include the following:

- A results framework that details CGAP's expected outputs and outcomes, as well as industry-wide changes that CGAP would like to see.



- A robust monitoring and evaluation system with common output indicators across the organization and refined indicators in the three priority areas. Improved reporting and stakeholder engagement mechanisms.
- Continual independent internal evaluations and reviews to benchmark successes and identify areas of improvement.

After four years of activity under the new strategy, CGAP's member organizations will initiate an external process to evaluate CGAP's efficiency, efficacy, and relevance as well as its performance against agreed-upon five-year performance targets.

## Governance Structure

CGAP has an autonomous governance structure that consists of the Council of Governors (CG) of member donors, the Executive Committee (Excom), and the Investment Committee (IC). Housed at the World Bank, the operational team implements CGAP's activities.

The CG is CGAP's highest governing body and operates as a general assembly. It is responsible for setting CGAP's broad policies and strategic direction, providing inputs to the annual work plan and budget, adopting and implementing CGAP consensus documents and guidelines, and determining the extension or disbandment of CGAP. The CG has 34 members—bilateral and multilateral agencies, regional development banks, DFIs, and private foundations—that are committed to building inclusive financial systems.

The Excom functions as CGAP's board and executive governing body. It has oversight of CGAP's activities and is responsible for providing strategic guidance to the operational team and approving the work plan and budget on behalf of the CG. The Excom is composed of representatives of the CG and leading microfinance industry experts.

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

The operational team, overseen by the CGAP management team, implements CGAP's activities and programs. A representative office in Paris provides outreach and advisory services to funders.



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**Syed Hashemi**, *Senior Microfinance Specialist*. Syed Hashemi joined CGAP in 1999. He concentrates on identifying pro-poor innovations and disseminating best practice lessons related to poverty outreach and impact, including the development of social performance indicators for tracking changes in the social and economic levels of MFI clients. Before joining CGAP, Hashemi directed the Program for Research on Poverty Alleviation at Grameen Trust and taught Development Studies at Jahangirnagar University in Bangladesh. Hashemi has a Ph.D. in Economics from the University of California at Riverside. He speaks English, Bangla, and conversational Hindi.

**Claudia Huber**, *Associate Microfinance Analyst*. Claudia Huber joined CGAP's aid effectiveness team in Paris in May 2006. Previously, she worked with Banco los Andes ProCredit in Bolivia, where she was trained as a credit officer. She has a master's degree in Business Administration/Economics and a CEMS Master in International Management from the University of St. Gallen. Huber is fluent in German, English, French, and Spanish.

**Luz Hurlburt**, *Budget Program Assistant*. Luz Hurlburt joined CGAP in April 2007. She has worked for the World Bank for 12 years. Before joining the World Bank, she worked as an accounts analyst for Philippine Airlines. She holds a bachelor's degree in accounting and is a Certified Public Accountant in the Philippines. Hurlburt speaks English and Tagalog.

**Jennifer Isern**, *Lead Microfinance Specialist*. Jennifer Isern joined CGAP in 1996. She has 20 years of experience in development in more than 50 countries. Isern leads CGAP's Africa team in Washington and Dakar. She has led several CGAP initiatives and authored numerous publications on money transfers, anti-money laundering, bank entry in microfinance, appraisal methods for networks and microfinance institutions, African microfinance, informal finance in India, and capacity building programs. Before joining CGAP, Isern was the regional technical adviser for economic development in West and Central Africa with CARE International and also worked with UNDP, AT&T, USAID/Senegal, and USAID/Costa Rica. She received her doctorate from Nova Southeastern University and her master's degree from Princeton University; she is a CFA charterholder. She speaks English and French and is proficient in Spanish.

**Gautam Ivatury**, *Microfinance Specialist*. Gautam Ivatury joined CGAP in 2003. He manages the Microfinance Technology Program and works on several CGAP initiatives in India. Before joining CGAP, Ivatury was vice president of Finance and Administration at SKS Microfinance in India, an investment analyst at International Finance Corporation, and co-founded a startup education technology venture. He has a master's degree in International Affairs from Johns Hopkins University. He is proficient in French and Hindi.

**Nora Kim**, *Program Assistant*. Nora Kim joined CGAP in 2006. She assists in the development of CGAP's technology platform and oversees special projects, including the CGAP Microfinance Photography Contest. Kim has a bachelor's degree in International Affairs and History from George Washington University. She is fluent in English and Korean and is proficient in French and Spanish.

**Christoph Kneiding**, *Market Intelligence Officer*. Christoph Kneiding joined CGAP in 2008. Previously, Kneiding interned with Citibank, the Boston Consulting Group, and the German Development Agency. He has a Ph.D. from Frankfurt University and a master's degree in business administration from Passau University. He speaks German, English, Spanish, and conversational French.

**Antonique Koning**, *EU/ACP Microfinance Framework Programme Coordinator*. Antonique Koning coordinates the European Union/African, Caribbean, Pacific States Microfinance Framework Program—a capacity-building program for microfinance actors in sub-Saharan Africa, the Caribbean, and the Pacific. Koning is seconded to the European Commission and is based in Brussels. Before joining CGAP, she worked with the World Savings Banks Institute. Koning has a master's degree in International Trade Management and Policy from the University of Birmingham. She speaks English, Spanish, French, and Dutch.

**Kabir Kumar**, *Microfinance Analyst*. Kabir Kumar is currently working on CGAP's Technology Program. He designs experiments and builds partnerships to use cell phones and other technologies to expand access to finance. He was an IT and telecom marketing and strategy consultant and has worked at the World Bank on gender equality and economic growth. Kumar has a dual masters in Public Administration and International Relations from the Maxwell School of Syracuse University.

**Estelle Lahaye**, *Associate Microfinance Analyst*. Estelle Lahaye joined CGAP in 2007. She works with the Africa team on a variety of funders initiatives and policy-related projects. Before joining CGAP, Lahaye worked as an account officer at Banco Itaú Europa in Luxembourg. Lahaye holds a master's degree in Business Administration from San Francisco State University and a bachelor's degree in Banking, Finance and Insurance from the University of Nancy 2 in France. She speaks French, English, and Portuguese and rudimentary Spanish and German.

**Alexia Latortue**, *Senior Microfinance Specialist*. Alexia Latortue joined CGAP in 2002 and is based in CGAP's Paris office. She leads CGAP's work on improving the effectiveness of funding for microfinance and provides strategic and technical services to development agencies. Latortue has written extensively on aid effectiveness in microfinance. Before joining CGAP, Latortue was a development specialist with Development Alternatives, Inc. She has a master's degree in Development Economics from the Fletcher School of Law and Diplomacy at Tufts University. She speaks English, French, Creole, and German, and has rudimentary Spanish.

**Timothy Lyman**, *Senior Policy Adviser*. Timothy Lyman joined CGAP full-time in 2005 following many years advising CGAP and various CGAP members on legal and regulatory policy issues in a consulting capacity. He is a co-author of CGAP's Guiding Principles on Regulation and Supervision of Microfinance and leads CGAP's current pioneering work on proportionate regulation of "branchless banking"—the use of mobile phones and other communications technologies to extend the reach of financial services through retail agents. He has worked in community development for over 20 years in the United States and internationally, during much of this time as a partner of the law firm of Day, Berry & Howard (now Day Pitney) and president of its affiliated philanthropic foundation, the Day, Berry & Howard Foundation, and, from 1994 to 2005, as principal outside legal counsel to Save the Children/US. He holds a Bachelor's degree from Harvard University and a law degree from New York University School of Law.

**Sarah Manapol-Brown**, *Budget Program Assistant*. Sarah Manapol-Brown joined CGAP in 2000. She works on the administration of CGAP's trust funds, donor and grant agreements, consultant contracts, and general office needs. Before joining CGAP, Manapol-Brown worked for the World Bank's Private Sector Department and Aon Risk Services/HTB Insurance Agency.

**Ignacio Mas**, *Senior Adviser*. Ignacio Mas is an adviser for CGAP's Technology and Market Intelligence programs. For the past dozen years before joining CGAP, he worked in the telecommunications industry. Over this time he has served as vice president of Marketing and Account Management at interTouch, director of Global Business Strategy at Vodafone Group, and senior manager responsible for telecommunications investments in Europe at Intel Capital. Earlier in his career, he worked for the World Bank on financial sector reforms in several countries and also held positions at the Treasury of the World Bank. Mas has been a visiting professor of International Business at the Graduate School of Business at the University of Chicago. He holds undergraduate degrees in mathematics and economics from MIT and a Ph.D. in economics from Harvard University.

**Djibril Maguette Mbengue**, *Microfinance Analyst*. Djibril Mbengue joined CGAP in 2007 as part of the Africa team. Before joining CGAP, Mbengue was portfolio technical manager at the United Nations Capital Development Fund. He was previously associate director of operations at REMIX, a consulting firm specializing in microfinance. Mbengue was also responsible for internal control at Crédit Mutuel du Sénégal, a savings and credit cooperative based in Senegal. He holds a master's degree in business administration. He speaks English and French.

**Kate McKee**, *Senior Adviser*. Kate McKee joined CGAP in September 2006 as senior adviser for Policy, Outreach and Aid Effectiveness. She is acting director of the savings team and is carrying out several special projects. From 1998 McKee served as director of the Microenterprise Development office at the United States Agency for International Development. McKee is a development economist, with a master's degree in Public and International Affairs from the Woodrow Wilson School of Princeton University.

**Anna Nunan**, *Publications Manager*. Anna Nunan joined CGAP's Communications Team in 2005. She has more than 21 years of experience in all aspects of nonprofit publishing. Nunan has a bachelor's degree in Journalism from the University of Maryland and a master's degree in Business Administration from Johns Hopkins University.

**Jake-Anthony Pauig**, *Publications Assistant*. Jake Pauig joined CGAP in March 2008. His responsibilities include inventory maintenance and fulfillment/distribution. Previously, Pauig was a contracted site manager in charge of all operational and strategic processes for shipping, receiving, and messenger services for World Bank headquarters in Washington, D.C. He is proficient in Six Sigma, ISO process management practices, and foreign customs clearance regulations. He speaks English and Tagalog.

**Andrea Payne**, *IT Manager*. Andrea Payne manages CGAP's business and Web technology infrastructure. Before joining CGAP in 2007, Payne managed the IT Development Intranet Team at Sprint Nextel and worked as a management consultant in business process reengineering. She holds a bachelor's degree in Business Administration from Radford University.

**Mark Pickens**, *Microfinance Analyst*. Mark Pickens works with the Technology Program. He contributes to CGAP's initiative on regulation of branchless banking and works with the Technology Program's MFI, bank, and mobile operators partners. Before joining CGAP, Pickens consulted to MFIs and banks with microfinance programs in Bosnia, Cambodia, and Madagascar. Pickens has a master's degree in International Affairs from Columbia University.

**Klaus Prochaska**, *Associate Microfinance Analyst*. Klaus Prochaska has been working with CGAP's Policy Team since September 2006. He holds a law degree from the University of Vienna in Austria and gained some years of legal work experience in the Austrian courts as well as in the private sector before pursuing a master's degree in International Development at the Johns Hopkins School of Advanced International Studies. He is fluent in English, German, Spanish, and Italian.

**Stephen Rasmussen**, *Senior Microfinance Specialist*. Steve Rasmussen has been involved in development work for the past 25 years, primarily in South Asia and Central Asia. Before joining the World Bank, from 1994 to 2003 he was the CEO of the Aga Khan Rural Support Programme in Pakistan and helped establish the First MicroFinanceBank, a transformation of AKRSP's microfinance program into the first private-sector microfinance bank in Pakistan. He is also the CEO of the Pakistan Microfinance Network and IFC's nominee director on the boards of microfinance banks in Afghanistan and Pakistan.

**Lauren Reese**, *Associate Microfinance Analyst*. Lauren Reese works with CGAP's Technology Program, including coordination of the Technology Fund, research, and program activities. Before joining CGAP, Reese worked for a development consultancy, where she wrote a toolkit of best practices for microenterprise development programs. Reese holds a master's degree in International Development and Economics from Johns Hopkins University, SAIS, and a bachelor's degree in Political Economy from the University of California, Berkeley.

**Xavier Reille**, *Lead Microfinance Specialist*. Xavier Reille joined CGAP in 1999. He leads the CGAP transparency team and chairs the board of directors of the Microfinance Information eXchange. He is also the director of the CGAP MENA initiative. Before joining CGAP, he was

the regional microfinance adviser for Southeast Asia with Catholic Relief Services. Reille has a master's degree in International Finance from the University of Paris. He speaks French, Spanish, English, and Bahasa Indonesia.

**Jim Rosenberg**, *Communications Officer*. Jim Rosenberg joined CGAP in March 2007 to manage all aspects of strategic communications for the Technology Program. Before joining CGAP, he was a producer for XM Satellite Radio's public affairs channel and a public radio reporter, filing frequently for Marketplace. Rosenberg has a master's degree in Journalism from Columbia University, and attended the Universidad de Sevilla (Spain) for one year as a Rotary Foundation Ambassadorial Scholar. He speaks English and Spanish.

**Richard Rosenberg**, *Senior Adviser*. Richard Rosenberg joined CGAP in 1995. He has written or contributed to a dozen CGAP publications. He is a core faculty member of the Microfinance Training Program at The Boulder Institute. Before joining CGAP, Rosenberg was deputy director of the U.S. Agency for International Development's Center for Economic Growth and spent nine years in Latin America, managing investment promotion, privatization, pension reform, and development finance. He has a doctor of law degree from Harvard University. Rosenberg speaks English and Spanish.

**Ousa Sananikone**, *Senior Private Sector Development Specialist*. Ousa Sananikone joined CGAP in 2000. She is responsible for a broad range of activities, including external reporting, member services, preparing key corporate outputs, and reviewing publications. Before joining CGAP, Sananikone worked in the Small and Medium Enterprise Unit of the Private Sector Department of the World Bank, where she provided research and technical support to the regions on SME and microfinance projects. Sananikone holds a master's degree in international affairs from the School of Foreign Service at Georgetown University and a bachelor's degree in political science from Trinity College in Washington, D.C. She is fluent in Lao, Thai, French, and English.

**Renu Sehgal**, *Senior Program Assistant*. Renu Sehgal joined CGAP in May 2008 as a senior program assistant for the Technology Program. Previously, Sehgal served as senior project management assistant of the Economic Growth

office at the U.S. Agency for International Development in India. She has a bachelor's degree in Political Science from Lady Sri Ram College of Delhi University, India. She is fluent in Hindi and Punjabi.

**Hannah Siedek**, *Microfinance Analyst*. Hannah Siedek joined CGAP in 2003 as part of the aid effectiveness team in Paris, helping private and public microfinance funding organizations use their resources more effectively. Since early 2006, Siedek has been based in Washington, D.C., where she also provides support to CGAP's Technology Program. She has a master's degree from ESCP-EAP, Paris, and has studied in England, Spain, and France. Siedek speaks German, English, French, and Spanish.

**Sherry Sposeep**, *Microfinance Gateway Manager*. Sherry Sposeep joined CGAP in 2007. She manages the Microfinance Gateway, as well as its French, Arabic, and upcoming Spanish affiliate sites. Before joining CGAP, she managed a microfinance research project at Chemonics International. Sposeep has a master's degree in Development Management from American University. She speaks English and intermediate Russian.

**Evelyn Stark**, *Microfinance Specialist*. Evelyn Stark joined CGAP in May 2007 to work on the equitable access agenda. She has been working in microfinance for more than 10 years following a career in commercial banking where she managed commercial real estate special assets. She spent six years working in Uganda for the PRESTO Center for Microfinance and as a consultant primarily engaged in market research for the region. In 2003, she returned to the United States and worked with USAID's Office of Microenterprise Development focusing on microfinance in connection with conflict, youth, very poor clients, etc. She also managed the development of USAID's poverty tools. She is a graduate of Bucknell University.

**Michael Tarazi**, *Senior Regulatory Specialist*. Michael Tarazi joined CGAP in 2008 as a member of CGAP's Policy Advisory Initiative. Previously, Tarazi was a corporate attorney in private practice and served as the European General Counsel to a U.S. company providing financial and finance-related technological services in developing countries. He also served as an adviser to Middle East peace negotiations. Tarazi holds a bachelor's degree from Harvard

University and a law degree from Harvard Law School. He speaks English, Arabic, and French.

**Jeanette Thomas**, *Communications Director*. Jeanette Thomas joined CGAP in 2004 as the manager of the Communications Team. Before joining CGAP, Thomas was news editor and senior producer in the BBC's Washington Bureau. She started her 11-year tenure at BBC in London, producing radio documentaries and *Start the Week* with Melvyn Bragg, BBC Radio 4's longest running discussion program. In 2003–2004, she produced a series of films for the World Bank on development projects in the Middle East. She has a master's degree and Ph.D. in English Literature from Oxford University. She speaks English, French, and rudimentary Spanish.

**Olga Tomilova**, *Consultant for Europe and Central Asia*. Olga Tomilova joined CGAP in 2007. She represents CGAP in the ECA region and is based in Moscow, Russia. Before joining CGAP, she managed the Central Asia Microfinance Center, a joint project of the Microfinance Centre for CEE and the NIS (MFC) and CGAP in Kazakhstan. She worked at MFC as manager of the training and consulting department. She has a degree in history, social sciences, and applied sociology from Nizhny Novgorod State University in Russia. She speaks English and Russian.

**Louise Westerlind**, *Associate Microfinance Analyst*. Louise Westerlind joined the Financial Transparency team at CGAP in March 2007. Her responsibilities include the Microfinance Capital Markets Update newsletter, the Rating Fund, and the Financial Transparency Award/Certificate. Before coming to CGAP, Westerlind worked as an analyst at the Securities & Investments practice at Celent. She has a degree from Copenhagen Business School and Hong Kong University of Science and Technology. Westerlind is fluent in Swedish and English, proficient in Danish and German, and beginner in Mandarin.

**Glenn Westley**, *Senior Adviser*. Glenn Westley joined CGAP in 2008 after nearly 31 years at the Inter-American Development Bank (IDB). During his time at IDB, he held several positions, including senior adviser for Microenterprise, senior economist in the Office of the Chief Economist, and acting division chief of the Development Policy Research Division. He contributed

to the design of over 100 projects, especially in the area of microfinance, and has published numerous books, articles, and monographs. Westley has a Ph.D. in economics from the University of Pennsylvania.

**Tonia Wright**, *Operations Manager*. Tonia Wright manages CGAP's day-to-day business and administrative functions, including budget and finance, human resource management, and administrative services. She coordinates CGAP's Associate Microfinance Analyst Program and internship initiatives. Before joining CGAP, Wright worked in local government training, technical

assistance, and capacity-building, both domestically and internationally. Wright has a master's degree in Public Administration from the University of Delaware and a bachelor's degree in Political Science from North Carolina A&T State University.



# FINANCIAL STATEMENTS

## YEAR ENDING JUNE 30, 2008

CGAP is a trust-funded joint-venture consortium of 33 members with a mandate of advancing access to financial services to the world's poor. It is housed in the World Bank, which, on behalf of other member donors, has legal, financial, and administrative oversight of CGAP. CGAP's grants, projects, and most of its initiatives span more than one fiscal year. CGAP follows the World Bank's fiscal year, which ends on June 30.

These financial statements include a Statement of Revenues and Expenses, a Balance Sheet, a Statement of Cash Flows, and accompanying notes. They are unaudited. Internal audits are performed by the World Bank.

## KEY HIGHLIGHTS

**Donor Contributions.** Donor contributions increased this fiscal year. In 2007, contributions and pledges totaled \$19.3 million. Revenue increased to \$24.9 million in FY2008 due mainly to new pledges from Italy and the United States and a shift of grant commitments from FY2009 to FY2008 for the CGAP/Gates Technology Initiative. Technology projects originally slated to begin in FY2009 were actually launched during this fiscal year. World Bank procurement will only allow commitments against contributions received, and hence the Gates Foundation's shift in contributions of \$6.3 million from FY2009 to FY2008.

**Grant Commitments.** In 2008, CGAP committed \$8.6 million in new grants and initiatives. This included \$3.9 million for expanded policy work, \$1.8 million for improving the effectiveness of microfinance funding, and \$850,000 to support new pilots for the graduation program. On the technology initiative, CGAP committed \$12.3 million for 11 pilot projects and policy diagnostics in nine countries.

**Operating Expenses.** Operating expenses increased to \$9.6 million (\$8.2 million in 2007). This is due to slightly higher costs associated with new hires, increases in staff training expenses, and significant new investments in CGAP communications and information technology.

**Communications costs.** CGAP's communications costs include the cost of publications, mailings, translations, Microfinance Gateway, and a significant investment in IT. The IT investment, as a major expense in 2008, merits further explanation.

As part of CGAP's mandate to disseminate information and encourage discussion and collaboration, a significant investment is being made in IT strategy and implementation in FY2008. After extensive research, CGAP selected the Vignette tool to overhaul CGAP's IT systems and consultants to implement its portal and collaboration tool. The last year was spent laying the technical foundations, fixing technical issues that arose in the implementation, and building the new [cgap.org](http://cgap.org), which has now launched. In FY2008, all CGAP Web sites have been migrated onto one platform, including affiliated French, Arabic, and Spanish sites, the Rating Fund site, and IS Fund site. A content management system was also implemented for Microfinance Gateway, to accommodate a library of over 7,000 documents on the English site alone. Other investments include a far better search capability, the ability to add new features, a collaboration tool to improve internal knowledge management systems and to allow sharing with community groups, and new features, such as a Web-based contacts database, calendar, and intranet.

This significant up-front investment will lead to cost savings because the CGAP IT team is able to control the sites (rather than relying on an outside vendor for development), and staff can upload information rather than rely on expensive IT consultants and coders. We also expect a major improvement in content and dissemination as a result of this change. We will be tracking Web statistics to monitor the impact.

Finally, in FY2008, CGAP nearly doubled its volume of publications (nine Focus Notes, two Occasional Papers, eight CGAP Briefs, and three Technical Guides) and completed translations into six languages.

**Financial Position.** CGAP's financial position is sound. At the end of FY2008, operating reserves stood at

\$6.7 million. These reserves are meant to smooth the planning and execution of ongoing CGAP activities and cushion the effect of delays in donor contributions.

### 1. Basis of Accounting

CGAP changed its financial reporting to accrual based in 2003. This gives the reader a fuller understanding of CGAP's financial position by showing funds approved for commitments separate from funds available for ongoing operations and future commitments. Resources are expensed when they are committed to projects.

Revenue from donor pledges is recognized when written notification of a donor's intent to process the grant is received. In most cases, pledges are fulfilled during the fiscal year in which they were made, but often they are received in the following year(s).

These (unaudited) financial statements are prepared on a historical cost convention and are denominated in U.S. dollars.

### 2. Contributions from Donors—Core & Designated

Donor contributions (including pledges that have not yet been received but are being processed by the donor), interest income, and foreign exchange gains compose CGAP's revenues. Donor contributions can be unrestricted (core) or, in exceptional cases once a donor has made a core contribution, limited to a specific purpose (designated). Amounts of donor contributions to CGAP's core funds can be found in the table CGAP Member Donor Contributions and Pledges, Fiscal Years 2007–2009.

The Statement of Revenues and Expenses shows donor contributions allocated for fiscal years 2007 and 2008. The Statement of Cash Flows/Inflows, on the other hand, shows all donor contributions received during the fiscal year regardless of the fiscal year to which they relate.

### 3. Interest Income and Foreign Exchange Gains

Interest Income is the interest received during the fiscal year on cash balances held. Foreign exchange gains are the difference between the estimated U.S. dollar equivalent of donor contributions appearing in previous years' financial statements and the actual U.S. dollar

value of the contribution when it was finally converted to U.S. dollars. Interest income in 2008 was \$2.7 million.

### 4. Grants and Initiatives

This expense category relates to CGAP's work program via grants to microfinance institutions and networks, as well as to initiatives focused on policy issues, financial and social transparency, accountability, technology development, transfers/remittances, and other multicomponent projects managed by CGAP staff. Project-related commitments for consultants and travel come out of this category. Approved commitments that are not fully disbursed when they are closed are returned to the original trust fund where the commitments were derived. Commitment amounts are therefore reported net of returns.

### 5. Operating Expenses

Operating expenses are comprised of the following:

- Staff Salaries and Benefits include salaries and benefits of direct-hire CGAP staff.
- Office and Occupancy Costs include space, equipment, communications, supplies, and other overhead expenses.
- Monitoring and Evaluation include costs of consultants, travel, and meetings related to the external evaluation of CGAP initiatives.
- Project Preparation and Rapid Response include costs incurred before the activity is approved by CGAP's Investment Committee (IC) and for other expenses that do not fall within any of the IC-approved projects.
- CGAP Internships include the costs of associate microfinance analysts and the summer fellows program.
- CGAP Representation, Member Services and Training include costs that are not related to grants and initiatives (airfare, subsistence and hotel costs to give presentations and participate in others' events, fund presenters, trainers of CGAP staff, CGAP-hosted meetings, and brown bag lunches.)
- Communications, Publications, Web, and Technology include commitments for publishing, printing,

translating, editing, Web site development and maintenance, Microfinance Gateway costs, etc.

- CG and Excom Meetings include travel, facilities, food services, and other expenses connected with the CG and ExCom meetings.
- Foreign Exchange Loss is the difference between the estimated U.S. dollar equivalent of donor contributions appearing in previous years' financial statements and the actual U.S. dollar value of the contribution when it was finally converted to U.S. dollars.
- Cancelled Pledges are donor contributions included in the previous year's financial statements but were cancelled.
- Administration Fees are levied by the World Bank for costs related to trust fund administration (currently at 5% of contribution).

#### 6. Operating Reserves

Reserves are funds available for ongoing operations and future commitments. Given that CGAP is not a self-standing, permanent entity, an operating reserve is maintained to cushion the effects of delays in donor contributions and to allow an orderly wind-down of CGAP activities if and when member donors decide to discontinue CGAP's operations in its present form.

#### 7. Bank Balances

Bank balances on hand represent CGAP's available cash balances. In FY2008, this amount was \$3.9 million. Bank balances representing approved commitments that are in the process of being disbursed and hence not available for new commitments were \$33.1 million in FY2008. Included in this projection is \$15.3 million related to the CGAP/Gates Technology Initiative.

#### 8. Donor Contributions Receivable

	FY08	FY07
Dell Foundation		100,000
European Commission	1,608,094	1,227,600
France (AFD)	210,000	
Gates Foundation		157,500
Germany	369,650	317,250
IFAD		600,000
Japan	300,000	300,000
Norway	547,146	456,236
Spain		384,630
Sweden		417,944
<b>TOTAL</b>	<b>3,034,891</b>	<b>3,961,160</b>

#### 9. Liabilities

The undisbursed portion of Grants, Initiatives, and Communications Activities represents funding commitments approved but where disbursements are in progress and are to be made or continued beyond the current fiscal year.

#### 10. Contributions Received in Advance

	FY08	FY07
World Bank		2,150,000
Australia	279,565	559,130
France		388,112
United Kingdom		482,750
<b>TOTAL</b>	<b>279,565</b>	<b>3,579,992</b>

CGAP | FINANCIAL STATEMENTS  
Fiscal Years Ending June 30, 2008 and June 30, 2007

	Notes	Actual July 2007 - June 2008	Actual July 2006 - June 2007
<b>STATEMENT OF REVENUES AND EXPENSES</b>			
<b>Revenues</b>			
Contributions from Donors - Core & Designated	2	24,855,134	19,285,897
Interest Income	3	2,679,369	2,110,580
Foreign exchange gains	3	630,366	153,806
<b>Total Revenues (A)</b>		<b>28,164,869</b>	<b>21,550,282</b>
<b>Expenses</b>			
Grants/Initiatives Committed	4	8,555,723	4,534,478
CGAP/Gates Technology Initiative	4	12,316,910	6,003,317
Staff Salaries and Benefits	5	2,852,841	2,728,885
Office and Occupancy Costs	5	1,274,140	1,310,610
Monitoring and Evaluation	5	20,939	239,993
Project Preparation and Rapid Response	5	313,207	454,835
CGAP Internships	5	360,145	410,000
CGAP Staff Travel/Representation and Serv. Providers	5	755,330	475,779
Communications Activities	5	3,612,869	1,346,900
CG and ExCom meetings	5	263,116	275,497
Foreign Exchange Losses	5		
Cancelled Pledges	5	400,000	200,000
Administration Fee	5	703,213	530,990
<b>Total Expenses (B)</b>		<b>31,428,433</b>	<b>18,511,283</b>
<b>Excess of Revenues over Expenses for the year (A)-(B)</b>		<b>(3,263,565)</b>	<b>3,038,999</b>
Operating Reserves at beginning of the fiscal year		9,939,778	6,900,779
<b>Operating Reserves at the end of the fiscal year</b>	6	<b>6,676,214</b>	<b>9,939,778</b>
<b>BALANCE SHEET</b>			
<b>Assets</b>			
Bank Balances on hand	7	3,920,888	9,558,610
Bank Balances relating to Undisbursed Grants/ Initiatives and Communications Activities	7	33,124,702	23,374,656
Donor Contributions Receivable	8	3,034,891	3,961,160
<b>Total Assets</b>		<b>40,080,480</b>	<b>36,894,426</b>
<b>Liabilities</b>			
<b>Bank Balances</b> relating to Undisbursed Grants/ Initiatives and Communications Activities	9	33,124,702	23,374,656
Contributions Received in Advance	10	279,565	3,579,992
<b>Total Liabilities</b>		<b>33,404,267</b>	<b>26,954,648</b>

## STATEMENT OF CASH FLOWS

## Inflows

Donor Contributions received	2	22,400,913	15,007,884
Interest Income	3	2,679,369	2,110,580
Foreign Exchange Gains	3	630,366	153,806
<b>Total Inflows</b>		<b>25,710,648</b>	<b>17,272,270</b>

## Outflows

<b>Cash spent against previous commitments</b>		<b>8,624,662</b>	<b>8,592,836</b>
Grant Disbursements	4	5,134,439	4,471,439
Disbursements related to initiatives	4	3,490,223	4,121,397
<b>Cash spent against current year commitments</b>		<b>715,163</b>	<b>917,381</b>
Grant Disbursements	4	-	11,560
Disbursements related to initiatives	4	401,956	450,986
Project Preparation and Rapid Response	5	313,207	454,835
<b>CGAP/Gates Technology Initiative</b>	<b>4</b>	<b>2,687,206</b>	<b>483,874</b>
Grant Disbursements		687,989	
Disbursements related to initiatives		1,999,217	483,874
<b>Operating expenses</b>	<b>5</b>	<b>9,571,294</b>	<b>8,215,322</b>
Staff Salaries and Benefits		2,852,841	2,728,885
Office and Occupancy Costs		1,274,140	1,310,610
Monitoring and Evaluation		20,939	239,993
CGAP Internships		360,145	337,877
CGAP Staff Travel/Representation and Service Providers		755,330	475,779
Communications Activities		2,941,570	2,115,691
CG and ExCom meetings		263,116	275,497
Foreign exchange loss		0	
Cancelled pledge		400,000	200,000
Administration Fee		703,213	530,990
<b>Net increase/(decrease) in undisbursed grants/initiatives, and communications activities</b>		<b>9,750,046</b>	<b>(256,853)</b>
<b>Total Outflows</b>		<b>31,348,371</b>	<b>17,952,560</b>

<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(5,637,723)</b>	<b>(680,290)</b>
Bank balances on hand at beginning of the fiscal year		9,558,610	10,238,901
<b>Bank balances on hand at end of the fiscal year</b>	<b>7</b>	<b>3,920,888</b>	<b>9,558,610</b>

**CGAP ONGOING GRANTS AND INITIATIVES  
AS OF JUNE 30, 2008**

	<b>Commitments</b>
CGAP/Gates Technology Programme	20,477,727
Policy Initiative (Phase I, II & III)	7,722,000
Microfinance MBA	3,287,000
Retail Advisory Services	3,250,000
CAPAF Phase II	2,746,398
BCEAO Regional Regulation & Supervision	2,005,522
MENA Initiative	1,980,000
Improving Effectiveness of MF Funding	1,800,000
MIX Phase II	1,500,000
Microfinance Technology Program	1,250,000
Rating Fund III	1,050,000
Graduating Poorest into Microfinance Phase II	1,050,000
IS Project, Phase II	1,140,000
Pro-Poor Innovation Challenge Phase II	1,000,000
Financial Transparency Awards II & III	745,000
WOCCU Supervisory Toolkits & TA	742,000
Central Asia Microfinance Center	672,400
Money Transfers Phase II	622,800
Graduating Poorest into Microfinance	570,000
CLEARs	568,000
China Capacity Building	440,000
Savings Initiative II	385,000
Regulation & Supervision Resource Center, Phase III	372,900
Microcredit Interest Rate Sensitivity Study	244,930
Staff Incentives Scheme Action Plan	84,000
Course Updates and Global TOTs	80,850
Banana Skin Project	50,000
	<b>55,836,527</b>

**CGAP ONGOING COMMUNICATIONS ACTIVITIES**

	<b>Commitments</b>
Microfinance Gateway II	1,735,655
Microfinance Gateway III	1,493,406
Communications Activities	1,135,391
International Translation Project	922,500
CGAP Web sites	685,118
National and Regional Networks Program	335,904
International Associates Program	98,000
	<b>6,405,974</b>

## CGAP MEMBER DONOR CONTRIBUTIONS AND PLEDGES, FISCAL YEARS 2007-2009 (IN US \$) /1

<b>Core</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>
World Bank	4,725,000	2,650,000 /2	4,325,000
Argidius Foundation	99,985		
Australia	359,250	279,565	279,565
Canada	466,157	473,037	739,644
Dell Foundation	100,000	100,000	200,000
Denmark	522,362	586,052	656,246
European Commission	791,450	791,450	700,000
European Investment Bank	256,220	290,343	290,343
Finland			370,637
France (MAE)	190,245	168,975	
AFD		210,000	406,000
Gates Foundation	157,500		
Germany	369,650	369,650	369,650
IADB		50,000	50,000
IFAD	240,000	120,000	300,000
IFC	300,000	300,000	300,000
Italy		315,305	468,000
Japan	300,000	300,000	
Luxembourg	464,635	520,560	520,560
Netherlands	400,000	600,000	400,000
Norway	547,146	547,146	739,330
Omidyar			300,000
Spain	410,070	464,010	464,010
Sweden	459,067	501,580	450,000
Switzerland	399,980	400,000	400,000
UNCDF			100,000
United Kingdom	444,625	482,750	492,288
United States		300,000	100,000
<b>Core</b>	<b>12,003,341</b>	<b>10,820,423</b>	<b>13,421,273</b>
<b>Designated</b>	<b>7,512,922 /3</b>	<b>14,034,711 /4</b>	<b>3,739,915 /5</b>
<b>TOTAL</b>	<b>19,516,263</b>	<b>24,855,134</b>	<b>17,161,188</b>

/1 Contributions not yet received are shaded and italicized.

/2 Of the originally budgeted World Bank contribution for FY2008, \$500,000 is the new annual contribution and \$2,150,000 comes from the remaining balance of the \$11 million interest income transferred to CGAP in 2005.

/3 European Commission, France, Gates Foundation and Sweden

/4 European Commission, France, Gates Foundation, Sweden

/5 Gates Foundation and Italy



Since 2007, CGAP has invited photographers (professional and nonprofessional) around the world to send us their vision of microfinance. They responded with the passion and broad diversity that reflects the microfinance community.

In its second year, the CGAP Microfinance Photo Contest had nearly 700 entries from a mix of both professional and nonprofessional photographers from every region of the world. A panel of judges selected 20 winners, and images from the first two years of the contest were exhibited in partnership with the World Bank in Washington, D.C., and with Citigroup at Citi Centre in London. Further exhibitions are planned for New York, Mexico City, and Paris.

The photos in this report are just a few of the more than 700 entries received for the 2008 CGAP Microfinance Photo Contest:

- Cover, Coconut Drying by Ellen De Leon
  - p. 2, Basket Weaving by Saikat Mukherjee
  - p. 4, Vegetable Girl by Somenath Mukhopadhyay
  - p. 5, A Colorful World by Anindya Majumdar
  - p. 6, Joyful by Anindya Majumdar
  - p. 7, Spinning a Tradition by Kushal Gangopadhyay
  - p. 9, Productivity by Mohammad Rakibul Hasan
  - p. 10, Group Fishing by Sandipan Majumdar
  - p. 11, Savings Deposit by Marc Bavois
  - p. 12, The Fishermen by Mohammad Rakibul Hasan
  - p. 13, Daily Life by Sandipan Majumdar
  - p. 17, Mobile Technology by Sandipan Majumdar
  - p. 21, Micro Sellers by Anindya Majumdar
  - p. 22, As You Sow by Mohammad Moniruzzaman
  - p. 25, The Pot Maker by Mohammad Rakibul Hasan
  - p. 29, Micro-Art and Finance by Somenath Mukhopadhyay
  - p. 30, Early Riser by Leonard Pe
  - p. 31, Traditional Corn Drying by Ellen De Leon
  - p. 35, Wheel of Change by Muhammad Kamrul Hasan
  - p. 37, Rhythm of Stone Transportation by Mohammad Rakibul Hasan
  - p. 38, Self Help by Sandipan Majumdar
  - p. 53, Day of Delivery by Huong Le Thi Mai
- This page top (left to right): Farming—Modern and Traditional Way by Mohammad Moniruzzaman; Flower Market by Sudip Roychoudhury; Hauling Yellowfin Tuna by Leonard Pe; Labor Stains by Caryl Feldacker
- This page bottom (left to right): Working Women at Sericulture by Abhijit Dey; Weaving Opportunity by Caryl Feldacker; The Children of Microfinance by Zaki Raheem; Fishing 1 by Mohammad Moniruzzaman





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