



Access to Finance for the Poor

Annual Report 2010

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Who We Are

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

OUR VISION

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

WHAT WE DO

The overarching goal of CGAP is to scale up poor people's access to finance. To this end, we focus on the following priority areas:

- *Building the financial market infrastructure.* CGAP seeks to contribute to a sound market infrastructure for financial services for the poor by (1) mobilizing a wide range of partners to test new financial delivery and business models that have the potential to significantly lower costs and reach a large number of poor people and (2) increasing transparency on the performance of microfinance providers.
- *Fostering enabling policy environments.* CGAP works with governments to create a supportive policy environment for access to finance—one that balances increased access, financial stability, and protection of poor clients. CGAP advises governments on policies and regulations that affect access to finance, develops policy diagnostics, promotes good practices, and offers training for supervisors and regulators.
- *Improving the effectiveness of funding.* CGAP helps donors and funders use their resources more effectively by promoting standards on good practices, increasing transparency on funding flows, and providing advisory services and training to funder staff.



Reflections on Developments in 2010

Globally, an estimated 2.7 billion working age adults do not have a formal sector savings, transaction, or credit account. Even more have no access to formal insurance. This is a problem because poorer households in the informal economies of the developing world need financial services as much as wealthier families—actually more so, for two reasons. First, their income streams and bigger outlays tend to be irregular and unpredictable, and their income and expenses do not sync up as neatly as wealthier peoples' monthly pay checks and mortgage payments. Second, poor people obviously have less of a cushion to absorb economic shocks to begin with.

As a result, poor households live astonishingly active financial lives, using a large number of mainly informal sector mechanisms. They tolerate negative returns on deposits to have their short-term cash guarded by doorstep collectors; they go to the moneylender for credit and the pawnbroker for liquidity; they send money through informal networks; they enter costly social obligations, hoping that, in their time of need, some form of "mutual insurance" will pay off; they invest in livestock that can die or be stolen as a means of longer term savings.

These informal mechanisms are less reliable and often far more expensive than similar services in the formal economy. Poor households are doubly penalized. They are more vulnerable, and when they try to use financial mechanisms to improve their lives, accumulate assets, cope with shocks, and protect themselves from risk, they must do so without access to reliable instruments, and they have to pay far more than we would be willing to pay.

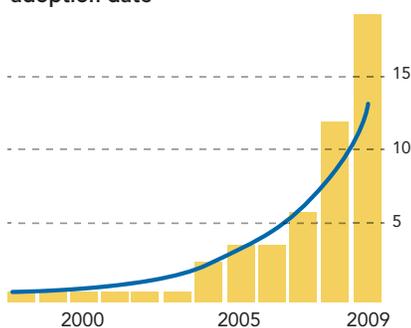
DEVELOPMENTS IN 2010

The shared mission of CGAP and its members is to advance access to financial services for the poor so as to eliminate this double injustice. Against that mission, last year was characterized by two major, seemingly contradictory, developments.

On the one hand, more global leaders embraced access to financial services as an important policy objective. The CGAP/World Bank Group *Financial Access* survey showed an exponential increase in the number of countries adopting explicit financial inclusion mandates or strategies. It also showed that even during the global financial crisis, access for poor households improved in terms of number of accounts, albeit not in terms of volume. The Basel Committee on Banking Supervision—the blue-chip central bankers’ club—for the first time developed guidance for the regulation and supervision of depository microfinance. And at their 2010 summits in Toronto and Seoul, the leaders of the G-20 countries elevated financial inclusion to a central priority of their economic development agenda. This global recognition boosts national-level efforts toward financial inclusion.

On the other hand, the narrower idea of microcredit came under scrutiny. The dominant impact narrative for microcredit rests on loans to capital-constrained microentrepreneurs who earn a steep return on marginal capital and thus can repay the relatively high interest rate associated with the labor-intensive microcredit model and reinvest to grow out of poverty.

Number of countries with national financial inclusion strategies (64 of 142 countries surveyed), by strategy adoption date



Source: CGAP/World Bank Group 2010
Financial Access

G-20 AND FINANCIAL INCLUSION

During the height of the global financial crisis, when the G-20 stepped in to harmonize interventions to restore stability to the world's financial system, some observers saw a big risk for the financial inclusion agenda: Would this powerful new force take the wrong lessons from the U.S. and U.K. subprime lending crises and view increased financial inclusion simplistically as the enemy of global financial stability?

The opposite happened. The G-20 took a very positive stance on financial inclusion in 2010. Recognizing that the goal of financial inclusion when pursued responsibly complements the goal of stable financial markets, a newly convened G-20 Financial Inclusion Experts Group worked with CGAP and the Alliance for Financial Inclusion to develop Nine Principles on Innovative Financial Inclusion. These principles were adopted by the G-20 leaders at their Toronto Summit in June. At the Seoul Summit in November, the G-20 leaders took important further steps:

- Endorsing a concrete **Financial Inclusion Action Plan** to promote implementation of G-20 Principles
- Establishing a **Global Partnership for Financial Inclusion** (GPMI) to ensure buy-in from G-20 governments, non-G-20 governments, the private sector, and civil society alike

- Embedding financial inclusion as a **key pillar** in the G-20's multi-year global development agenda

Getting the important political backing of the new global financial system architect for the notion that financial inclusion, financial stability, financial integrity, and financial consumer protection are mutually reinforcing policy objectives has already borne fruit. Joint outreach by the UN Special Advocate for Inclusive Finance in Development, Princess Maxima of the Netherlands, and the G-20 to the five global standard-setting bodies most relevant to financial inclusion (the Financial Action Task Force, the Basel Committee on Banking Supervision, the Committee on Payment and Settlement Systems, the International Association of Insurance Supervisors, and the International Association of Deposit Insurers) has helped solidify their commitment to embedding access to financial services for the world's poor in their guidance to country-level policy makers, regulators, and supervisors.

CGAP is serving as one implementing partner for GPMI to achieve the goal with which the G-20 started the year: “the safe and sound spread of new modes of financial service delivery capable of reaching the poor.”



WHAT WORKS FOR WHOM AND WHY

The dominant impact narrative for microcredit rests on loans to capital-constrained microentrepreneurs who earn a steep return on marginal capital and thus can repay a relatively high interest rate and reinvest to grow out of poverty. Access to credit for this segment remains an important development tool. But not every borrower is a microentrepreneur, and poor households clearly have other financial services needs beyond credit.

To assess the impact of access to financial services, the key questions are, therefore, what are the underlying financial services needs of clients, and what impact is achieved when the appropriate financial instrument is used?

Several researchers are studying various new ways access to financial services might positively impact poor households' welfare, leveraging insights from the field of behavioral economics. In parallel, a new body of empirical evidence is emerging using methodologies similar to medical trials where access to specific new services is randomly assigned, and the impact of a change in access on one customer group is compared to a second group that does not have the same access. Such randomized controlled trials need a certain sample size and timeframe to be meaningful, and only a handful has been completed to date in access to finance.

Across various financial services, here are some of the highlights of this new thinking and the new evidence from randomized controlled trials.

Credit. Beyond providing working capital loans to microentrepreneurs, borrowing money can help households manage cash flow spikes and smooth consumption. Cutting-edge behavioral research also suggests that the mere peace of mind associated with the knowledge that credit is available can help households make better decisions that improve welfare in the long run. New

empirical impact studies have shown positive effects on the income of existing microbusinesses (in India and the Philippines), diversification of livestock (in Morocco), and reduction in the spending on temptation goods, such as tobacco (in India and Morocco). These studies, which had one- to two-year time horizons, however, did not find evidence for a direct effect of higher spending on health or education relative to the control group.

Savings. Accumulating savings also helps households manage cash flow spikes. Researchers think that saving small amounts at home is difficult for poor households given multiple, immediate demands of various household members. When mechanisms for high-frequency, low-balance deposit services are available, results could be strong. A recent randomized controlled impact study found that access to a new savings service for women in Kenya enabled them to mitigate the effect of health shocks, increase food expenditure for the family, and increase micro-business investments by 40 percent relative to the control group.

Insurance. Insurance helps poor households mitigate risk and manage shocks. By definition, insurance seeks to broaden and diversify risk pools and is hence inherently inclusive. Challenges so far have been to find mechanisms that are helpful to poor households, yet manageable from an actuarial and operational insurance perspective. Recent randomized controlled studies of weather-based index insurance showed strong positive impact on farmers as the assurance of better returns encouraged them to substitute away from subsistence to cash crops (in India and Ghana). In Ghana, insured farmers bought more fertilizers, planted more acreage, hired more labor, and had higher yields and income, which led to fewer missed meals and fewer missed school days for the children.

This narrative remains true and access to credit critical for this segment, but not every borrower is a microentrepreneur, nor does every poor person necessarily need credit. A financial services offer that doesn't meet the real needs of many clients is, at best, less likely to have the hoped for impact and, at worst, can actually harm clients. Fresh thinking and an emerging body of new impact evidence suggest different dynamics of how access to a broader range of financial services could improve household welfare and highlight the importance of better understanding what services and product designs might work for which customers' needs and why.

At the same time, rapid growth of competing microfinance institutions (MFIs), often fueled by the ready availability of debt capital, has led to periods of oversupply and over-indebtedness in some local markets. The microfinance industry must learn from this and evolve. Our analysis of these recent crises points to a particular vulnerability of credit-only MFIs and reaffirms the importance of developing local, deposit-driven institutions that are more in tune with the broader needs of their customer base and less dependent on the demands of wholesale capital.

At CGAP, we believe that the global policy momentum for financial access, the required evolution of the specialized microcredit industry, a sharper understanding of the underlying customer needs, and new business models will move us powerfully toward what we ultimately need: a formal financial ecosystem that gives the poor at the base of the economic pyramid the full range of services they demand, delivered responsibly and at dramatically lower costs.

LESSONS FROM LOCAL MICROCREDIT CRISES

Over the past two years, microcredit crises erupted in several markets, and the financial inclusion priority shifted from promoting access to ensuring the responsible provision of services. CGAP's analysis of the domestic market situations that led to the delinquency crises in Andhra Pradesh, Bosnia-Herzegovina, Morocco, Nicaragua, and Pakistan points to important local factors, including political ones, but also highlights a number of commonalities.

These markets were typically characterized by

- Very rapid growth, in several markets well in excess of 50 percent per annum
- Largely credit-led MFI models, with low deposit-to-loan ratios or no deposit-taking whatsoever because of regulatory constraints
- Ready availability of wholesale debt funding, fueling the growth and increasing leverage ratios

The outcomes of rapid growth were similarly common. In all markets, individual MFIs stretched their systems and controls, evidenced, for example, by very high staff turnover, and let their credit discipline erode. Competition often concentrated

on the same attractive localities and customer segments. Multiple borrowing on the part of clients ensued.

The microfinance field is learning from these lessons. Shareholders and their boards need to set appropriate targets, align management incentives with a lasting mission and changing market realities, and ensure appropriate controls. Socially motivated equity investors in particular have an opportunity and responsibility to exercise stronger oversight. Management needs to develop a better understanding of customer needs and tailor their offerings accordingly.

At the market level, the sector needs better credit information-sharing mechanisms and practical early warning indicators to prevent unsustainable overlending. From a regulatory perspective, consumer protection and MFI supervision become more important, but the overarching consideration might be to encourage and allow more transformations to deposit-taking institutions, which are inherently more attuned to their customers and more stable.

These lessons have set a new agenda for the field that CGAP is helping to advance.



THE INDUSTRY'S RESPONSE

In light of the microcredit crises in some local markets over the past two years, the industry accelerated its efforts to advance meaningful agendas in responsible finance, social performance, and responsible investing. These efforts complement each other, with responsible finance at the retail level as the cornerstone. They are also at different stages in their journey from initial development of guiding principles, to application of commonly accepted standards, to transparent, universal reporting, and ultimately to improved practices.

Responsible finance practices for retail financial services providers ensure that their products, processes, and policies avoid harmful or unfair treatment of clients and appropriately balance customers' interests with their own. The Smart Campaign, as the broadest industry effort, continued to gain momentum last year with the endorsement of more than 460 microfinance service providers, 200 networks and support organizations, and 100 funders. The six Client Protection Principles that form the basis of the Smart Campaign are increasingly considered to be the universal minimum standards for any financial services provider serving poor clients. The Campaign is now focused on identifying acceptable standards for each of its core principles—including transparency, avoidance of over-indebtedness, responsible pricing, and effective complaints resolution—and on developing implementation tools for retail providers and supporting microfinance networks.

Social performance efforts go beyond these minimum "do no harm" standards and translate institutions' social mission into practice in line with their stated goals, such as serving larger numbers of poor and excluded people; improving the quality and appropriateness of financial services; or creating specific benefits for clients. The Social Performance Task Force, supported by 650 global leaders across the broad spectrum of microfinance stakeholders, continued last year to drive its work on indicators that assess the entire business process of an institution against the objective of having positive changes in the lives of clients. Through increased transparency and management of social performance, financial institutions with a double or triple bottom line and their donors and investors are striving to improve practices and achieve better results at the client level.

Responsible investment translates responsible finance and social performance concerns into action at the investor level. Initiatives focus on investor performance related to environment, social, and governance (ESG) issues and encompass a commitment of investors to be more responsible toward their investees and the community at large. In the course of last year, a consultative process across the microfinance investment sector produced a consensus around a new set of seven Principles for Investors in Inclusive Finance. At the recent launch, the 40 plus signatories committed to supporting and investing in those financial service institutions that offer responsible microfinance in a transparent and sustainable manner. They also committed to address ESG concerns in their investment decisions, to fairly treat investees, and to strive for balanced returns. These Principles have become a work stream of the broader UN-backed Principles for Responsible Investment.

OUR WORK OVER THE YEAR

CGAP focused its efforts across our various teams on helping a broader set of providers reach more people with a fuller range of services at lower costs, and helping the industry develop a real responsible finance agenda.

In terms of broadening the range of providers and services, CGAP continued to help test new business models, often enabled by technology, that may produce the low transaction costs required for payments and higher frequency, low-balance savings. This work has deepened industry knowledge and informed enabling regulation. In parallel, the CGAP–Ford Graduation Program continued its work on better understanding how safety nets, livelihoods, and access to finance programs can be best sequenced to create pathways for the poorest to graduate out of extreme poverty.

CGAP's work on transparency, social performance reporting, and consumer protection helped advance the broader responsible finance agenda the industry had started developing. CGAP also helped drive significant developments at a national level in making financial inclusion a policy imperative, including progress on regulation and supervision in many countries and improving the industry infrastructure.

In all these areas, we engaged with a broad range of donors, investors, and other partners in efforts to ensure that their interventions are as effective as possible and complementary to each others' actions and priorities on the ground.

OUR THANKS

As the landscape has grown more complex, opportunities and partnerships continue to proliferate. As an organization, and as a broader network of partners working to improve access to financial services for poor people in developing countries, we are guided by the wisdom, experience, and shared mission of our members, and we are grateful for their support.

Working toward full financial access for poor households remains an important goal in and of itself, because we know that access to formal services helps them better manage their financial lives. It also remains a good development strategy, because we know from research that economies with deeper financial sectors and less informality tend to perform better.

It is humbling to be part of this critical endeavor, and CGAP remains dedicated to helping achieve full financial inclusion.

Tilman Ehrbeck
CGAP CEO



CGAP'S HIGHLIGHTS FOR 2010

Last year we witnessed conflicting trends for the microfinance industry and a turning point for poor people's access to finance globally.

Early in the year CGAP released new research that raised concerns about the pace of growth in some markets and the degree to which that could strain MFIs' internal systems and the local microfinance market. By the end of the year, the unfortunate turn of events in the Indian state of Andhra Pradesh took center stage. In between, we saw the SKS IPO, and much debate about different approaches to delivering services, high interest rates, and the various facets of commercial microfinance. Fundamental questions were raised about the impact of microcredit. And that's what dominated the headlines, and what was also reflected in the perceptions of risk reported in *Microfinance Banana Skins 2010*.

But behind the scenes there was deep and lasting progress on poor people's access to formal financial services, and some notable public milestones to celebrate. In fact, 2010 was a year of some significant breakthroughs for our field. *Financial Access 2010*, a joint CGAP/World Bank Group report, showed that access to financial services had continued to grow in 2009, despite the financial crisis. The G-20 took up the cause of financial inclusion and, in June, endorsed Nine Principles for Innovative Financial Inclusion at the Toronto Summit and, in November, at the Seoul Summit, made financial inclusion one of nine key pillars of the G-20 development agenda. This commitment to the principles of financial inclusion was formalized by the launch of the Global Partnership for Financial Inclusion (GPII). GPII involves not only member countries, but also non-G-20 leaders and key private and civil society organizations, to implement a Financial Inclusion Action Plan that is informed by a variety of global perspectives.



Discussion about the impact of microcredit—precipitated by the publication in 2009 of two early studies using randomized controlled trials—continued through 2010. In January, CGAP weighed in, publishing an analysis of the benefits of microfinance in “Does Microcredit Really Help Poor People?” In October, we co-organized a three-day conference with the Financial Access Initiative, Innovations for Poverty Action, the Abdul Latif Jameel Poverty Action Lab, Moody’s Corporation, and Deutsche Bank to share new research results. By then, the tone had shifted from questioning the impact of microcredit, to exploring how the studies’ results can be used to improve the design of a range of different products to better suit the needs of poor people.

Results released at that meeting from randomized controlled trials on two pilots in the CGAP–Ford Foundation Graduation Program in India were particularly promising. Households that participated in the Bandhan Graduation Pilot in West Bengal had experienced a 25 percent average monthly increase in consumption, and the treatment households also saved more than the control group—nearly twice as much on average. The early results from SKS’s Ultra-Poor Program were less clear cut. But participants are saving more and are less likely to borrow from moneylenders than the control group—an important finding since high levels of debt among poor families in Andhra Pradesh was one of the major issues that emerged in 2010.

At the end of July, SKS, the largest microfinance institution in India with nearly 6 million clients, went public on the Bombay Stock Exchange. The IPO was 13 times oversubscribed and attracted leading investment groups, such as Morgan Stanley, JPMorgan, and George Soros’ Quantum Fund. The company valuation reached the top of the offer band price at US\$1.5 billion. In early October, Andhra





Pradesh's chief minister passed "An Ordinance to protect the women Self Help Groups from exploitation by the Micro Finance Institutions in the State of Andhra Pradesh." In a Focus Note that provided background on a fast moving situation, CGAP raised a number of issues that the maturing industry must grapple with, including governance issues, ownership issues, and concerns about the limitations of a business model that is largely based on a single financial product—lending. In the subsequent months, CGAP regional specialists collaborated with IFC colleagues to provide input to the Reserve Bank of India and the Indian Ministry of Finance on regulating the microfinance sector in India.

In a blog post as part of a series on the SKS IPO on the CGAP Microfinance Blog, Carlos Danel, co-founder and executive vice-president of Mexican microfinance bank Compartamos, pushed back against the criticisms of commercial business models. He argued that three years after the first microfinance IPO, far from experiencing mission drift, poor clients in Mexico were benefiting from the influx of capital, and that the market was more competitive and less concentrated. In the past 42 months, he said, Compartamos had grown from serving 614,000 clients to serving 1.75 million, a 191 percent increase in outreach. He also described a movement—though admittedly one that is progressing at a "painfully slow" pace—to diversify products to offer voluntary saving services, housing loans, and microinsurance products.

Deposit services gained increased and welcome attention through the year. In February 2009, the Bill & Melinda Gates Foundation committed US\$38 million to 18 institutions in South Asia, Latin America, and Africa, to encourage them to expand their savings offerings. In August, the Basel Committee on Banking Supervision issued its first guidance on the regulation and supervision of depository microfinance, the culmination of a substantial work stream on microfinance that CGAP co-chaired with the Central Bank of Argentina.



CGAP made the business case for savings, arguing in an Occasional Paper published in September that total client profitability made good business sense. In November 2010, the Bill & Melinda Gates Foundation convened key players at the Global Savings Forum to exchange knowledge and solidify progress on savings. Melinda Gates also pledged an additional US\$500 million from the foundation over the next five years to expand savings, with technology as a primary means to drive down cost and increase accessibility.

At the same time, significant progress was made through 2010 on the issue of responsible finance. In April, CGAP hosted a virtual conference, “Responsible Finance: Making It Work in Microfinance.” Led by moderators from microfinance institutions, investors, governments, and nongovernment organizations, participants from around the world debated topics ranging from acceptable return-on-equity levels to whether we need a “Responsible Finance Certification” in microfinance. By May, more than 1,000 microfinance institutions, networks, and investors had signed on to the Client Protection Principles, a set of core principles encompassing key issues, such as pricing, collections practices, mechanisms for redress of grievances, and avoidance of over-indebtedness. The Smart Campaign made solid progress with its research and advocacy agenda, raising key issues for the industry around the practices that distinguish microfinance in terms of social responsibility and good business. And social performance reporting took center stage, with 350 microfinance institutions now reporting to MIX on key indicators of social performance developed by the Social Performance Task Force.

In October, CGAP made an impassioned plea for the microfinance industry to examine the empirical evidence on over-indebtedness: to come to a common definition and agree on indicators to measure what levels of over-indebtedness exist.

There were significant developments at a national level, too, in making financial inclusion a policy imperative, including progress in some countries on

regulating the sector appropriately. In July, Russian President Dmitry Medvedev signed a new microfinance law that CGAP, working in partnership with the Russian Microfinance Center, had been instrumental in helping to develop in keeping with global best practice.

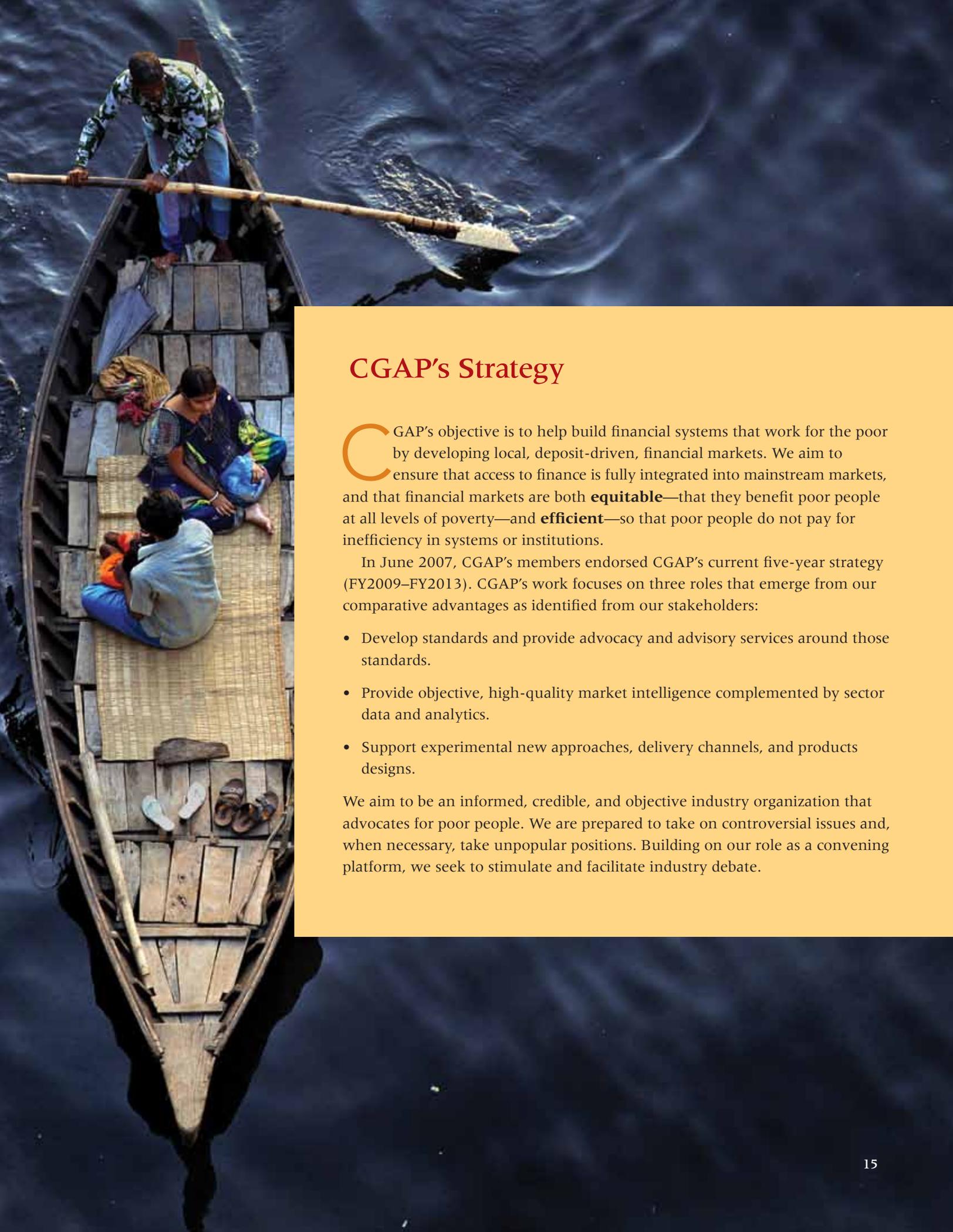
Another high point for 2010 was burgeoning innovation in branchless banking, where we saw new partnerships and new products emerge at a fast pace. In May, Equity Bank and Safaricom's M-PESA service joined forces to launch M-KESHO, a new product that linked poor people to full banking services via their mobile phones—an innovation that was supported by a grant from CGAP. It was quickly followed by Equity Bank and Orange linking up to offer Iko Pesa, an alternative banking service for Equity customers. CGAP has a strategic relationship with Orange covering its plan to launch mobile banking products in all its Africa markets.

Beyond Africa, the pace of development of branchless banking models and products increased dramatically in Mexico, Brazil, and Pakistan, boosted by enabling regulation and increased interest on the part of banks, consumer product distribution companies, and mobile telephone companies. CGAP's global knowledge of how to establish useful business partnerships involving multiple companies to deliver services was an important contribution in these markets.

In March, the U.K.'s Department for International Development committed GBP 8 million, and in September the Bill & Melinda Gates Foundation awarded an additional US\$6 million grant for the next phase of the CGAP Technology Program. This funding supports the next phase of CGAP's work with alternative business models for financial inclusion. One promising new line of work is linking government social payments to poor people (or G2P) with a financial inclusion agenda, enabled by the use of technology. CGAP added G2P projects in Ethiopia and Pakistan, where governments have large expanding social protection programs, taking advantage of rapidly growing mobile telephone networks. G2P also demonstrates how financial inclusion can benefit—and benefit from—other social programs to better bring formal financial products to the unbanked, while reducing administrative costs for governments to deliver social programs. In one story CGAP reported from Brazil, residents in the remote town of Autazes no longer had to travel 12 hours by boat to pick up their government payments, instead accessing them at local retail stores set up as banking agents.

The metamorphosis taking shape in so many different ways across different continents, geographies, and cultures is changing the face of poor people's access to finance. New business models, new players, and new partnerships are emerging. Product innovations that focus on the real needs of poor clients are beginning to enter the picture. And regulators around the world now clearly see financial inclusion as part of the basic infrastructure of their economy.

An industry that was inevitably focused on supply is now entering a new phase where demand is becoming the key factor for business success, and where understanding poor clients and focusing on their needs is quite simply the core of the business.



CGAP's Strategy

CGAP's objective is to help build financial systems that work for the poor by developing local, deposit-driven, financial markets. We aim to ensure that access to finance is fully integrated into mainstream markets, and that financial markets are both **equitable**—that they benefit poor people at all levels of poverty—and **efficient**—so that poor people do not pay for inefficiency in systems or institutions.

In June 2007, CGAP's members endorsed CGAP's current five-year strategy (FY2009–FY2013). CGAP's work focuses on three roles that emerge from our comparative advantages as identified from our stakeholders:

- Develop standards and provide advocacy and advisory services around those standards.
- Provide objective, high-quality market intelligence complemented by sector data and analytics.
- Support experimental new approaches, delivery channels, and products designs.

We aim to be an informed, credible, and objective industry organization that advocates for poor people. We are prepared to take on controversial issues and, when necessary, take unpopular positions. Building on our role as a convening platform, we seek to stimulate and facilitate industry debate.

About This Report

This Annual Report presents CGAP's work in Fiscal Year 2010 (1 July 2009 through 30 June 2010). Our key achievements are described according to the key strategic areas set forth by CGAP's members for FY2009–FY2013.

Technology and Business Models

Helping to develop efficient financial delivery mechanisms that are able to process small transactions at low cost and provide reliable information on the performance of financial providers.

Government and Policy

Promoting supportive policy environments by advising policy makers and regulators on 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 by increasing transparency on funding, developing standards and guidelines and building consensus around them, training and advising funders on how to improve their funding, and developing research and publications.



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

Monitoring and evaluation is used to track the performance of internally managed projects and financial commitments to external institutions.



Building the Financial Market Infrastructure



CGAP is responding to the urgent need to find **new business models** that can reduce costs and help scale up access to financial services. We strive to identify, foster, and pilot innovative delivery channels and business approaches that can radically reduce costs, improve efficiency, and make financial services available to large numbers of poor people in ways that are affordable and sustainable.

Transparency is a lynchpin of responsible and inclusive financial systems. Hand in hand with industry associations, CGAP promotes **financial and social transparency on the part of microfinance providers and investors** in the form of reliable and comparable information that managers of financial institutions, donors and investors, and indeed, clients, themselves, can use to make sound decisions.

DEVELOPING VIABLE DELIVERY MODELS

Two CGAP initiatives, the CGAP Technology Program and the CGAP–Ford Foundation Graduation Program, while very different, share the same goal: to test and learn from unproven business models that have the potential to not only expand but also deepen the reach of financial services. CGAP also continues to promote a broader diversity on the product side, with a focus on savings.

CGAP Technology Program: Expanding Financial Access through New Business Models

Technology is rapidly changing the way people can get basic financial services. Mobile phones and other front-end technology solutions have dramatically altered the economics of bringing financial services to poor people who have been excluded from formal financial services because of geography and costs. Mobile phones are rapidly penetrating into low-income populations. Today, 1 billion people in the world have a mobile phone but do not have a bank account, a fact that makes mobile phones a direct conduit to nearly half of the world's unbanked population. By 2012, CGAP and the Global System for Mobile Communications Association (GSMA) estimate this number will grow to 1.7 billion people.

Co-funded by the U.K. Department for International Development (DFID) and the Bill & Melinda Gates Foundation, the goal of the CGAP Technology Program is to improve the lives of millions of poor people by developing new delivery channels or business models, which are often technology-enabled,

that can dramatically expand poor people’s access to financial services. To do this, CGAP funds demonstration pilots, provides advisory services, conducts research, and disseminates knowledge. In partnership with the Bill & Melinda Gates Foundation, DFID, GSMA, AFI, and IFC, CGAP aims to build a global community of practitioners.

Testing and Demonstrating Promising New Technology Solutions

Branchless banking is the use of information communications technology and nonbank retail agents (retail stores, gas stations, lottery kiosks, etc.) to deliver financial services to low-income people beyond traditional banking channels. CGAP provides grant funding for branchless banking pilots with the near term potential to rapidly scale up access to finance. Since its launch in 2006, the CGAP Technology Program has committed US\$15.4 million to 17 branchless banking pilots that were reaching about 2.8 million people at the end of 2010. These initiatives are undertaken with a diverse range of partners, including banks, mobile network operators (MNOs), payment system providers, and microfinance institutions (MFIs) targeting millions of unbanked people in 12 countries.



During FY2010, CGAP began work with four new projects (Banco Santander in Brazil, Orange in Mali, Banco AV Villas in Colombia, and Mobile Commerce Ventures in Kenya) and continued support to 10 ongoing projects. A full list of active, recently approved, and closed projects follows.

PARTNER	PROJECT ACTIVITY
South Asia	
EKO, Phase I and II, India	Scale up EKO's existing operations of converting the distribution network of a mobile operator in India into a customer acquisition and service channel for the State Bank of India
SERP, AP, India	Through the use of technology, enable real-time accounting for 800,000 informal savings and credit groups, employ group members as village-level banking agents, and build credit profiles on groups and their 9 million members
Tameer Bank, Pakistan	Deliver savings and money transfers in urban, peri-urban, and rural Pakistan through multiple agent and mobile-banking channels
Maldives Monetary Authority	Work with the government, banks, and MNOs on a systemic approach to extend access to financial services to all Maldivians through an interoperable mobile banking system and nationwide agent network
East Asia Pacific	
GXI, the Philippines	Deliver basic transaction banking, money transfers, and remittances in rural Philippine islands with a mobile operator-led service and an ecosystem of agents
Nationlink, the Philippines	Connect at least 12 MFIs to national automatic-teller-machine and point-of-sale (POS) networks to expand service offerings, reduce costs, and assess how both MFIs and their clients benefit from an interoperable network
XacBank, Mongolia	Deliver basic transaction banking, money transfers, and savings in sparsely populated rural Mongolia via mobile banking and an agent channel
Africa	
Equity Bank, Kenya	Expand basic transaction banking, money transfers, and savings into rural areas with mobile phone banking and POS-equipped agents
Mobile Commerce Ventures Ltd, Kenya	Support a precommercial pilot to test the viability of EasySave, an interest-free flexible loan that includes incentives for long-term savings, delivered through M-PESA, the largest mobile payments service in Kenya
Orange, Mali	Deliver basic transaction banking, money transfers, and remittances in Mali through mobile banking channels
Latin America	
Red Financiera Rural, Ecuador	Develop a shared technology platform for MFIs in Ecuador enabling transactions between institutions, connections with other payment systems, and facilitation of monitoring and evaluation of social and financial performance
Banco Santander, Brazil	Pilot basic transaction banking, money transfers, credit, and savings products designed for poor people to be delivered through a mobile banking channel
Banco AV Villas, Colombia	Partnering with DDDedo, develop a new low know-your-customer, interest-bearing savings account to be delivered exclusively via cell phones and agents for poor people in Colombia
OXXO, Mexico	Study a chain of 8,000 convenience stores in Mexico that is converting its stores into a shared agent network for banks and developing an electronic account in partnership with a financial institution
Completed or Cancelled	
WIZZIT, South Africa—completed	Test adoption of mobile banking in rural South Africa by creating a network of cash-in points for self-employed and unemployed poor people
FSD Trust Social Protection Payments Challenge Fund, Kenya—completed	Deliver basic transaction banking, money transfers, and savings in remote northern Kenya by piggy-backing on social welfare payments distributed by the government
Credibanco Visa, Colombia—cancelled	Deliver basic banking and credit in rural areas by using a third-party banking agent network
Te Creemos, Mexico—cancelled	Deliver a range of financial services in rural Mexico by making several adaptations to branch networks to reduce channel costs

HIGHLIGHTS FROM CGAP'S BRANCHLESS BANKING PARTNERS

CGAP has been working with **Tameer Microfinance Bank** of Pakistan for three years to develop a branchless banking service. In late 2009, Tameer launched a mobile banking service called EasyPaisa with mobile operator Telenor. In 2010 the service began to take off. There are now over 10,000 agents across Pakistan, where customers can make transactions, such as paying their utility bill or sending money to a friend or family. Customers with a Telenor mobile phone can open a bank account linked to their mobile phone and deposit or withdraw money at agents. More than 5 million transactions were carried out in 2010, and we expect this will more than double in 2011.

At the end of 2010, CGAP's partner **Orange** launched its mobile banking service, Orange Money, in Mali—the first branchless banking service in the country. Orange has agreements with MFIs to serve as agents for Orange Money, which allows Orange to extend its reach to MFI offices across the country. In just six months of operation, more than 100,000 customers signed up for the service.

CGAP's partner in Colombia, **Banco AV Villas**, had only 200 branches at the end of 2009. That year AV Villas set up a partnership with DDDedo, an airtime distributor that converted its airtime agents into AV Villas bank agents. In 2010, DDDedo scaled up its network so that by the end of the year AV Villas had close to 4,000 agents. Now there are 20 times more access points through the DDDedo retail network than there are bank branches.

Advising Financial Service Providers, Mobile Operators, and Funders

CGAP provided advisory services to technology and telecommunications firms, financial institutions, and funders on selecting and designing projects using technology solutions for access to finance. We had significant engagements in 19 countries in FY2010, including Brazil, Colombia, Democratic Republic of Congo, Ecuador, Jordan, India, Kenya, Malawi, Maldives, Mali, Mexico, Mongolia, Nigeria, Pakistan, Philippines, Russia, Rwanda, Vietnam, and South Africa.

In Haiti, CGAP worked in partnership with Digicel, the country's largest MNO, to help it develop the first commercial branchless banking service in the country. Several donors and nongovernmental organizations (NGOs) are hoping to use branchless banking to make payments to victims of the devastating earthquake that struck the country on 12 January 2010. CGAP has also been working closely with Roshan, an MNO in Afghanistan, that has licensed Vodafone's M-PESA platform. We supported Roshan to develop its network of agents across the country, and Roshan has recently started a small pilot to pay police officers' salaries.

Increasing Industry Knowledge

CGAP's learning agenda in FY2010 centered on understanding customer adoption of mobile channels and identifying initiatives that go beyond payments, especially savings. We gained insights from our own project partners, from targeted research on customer adoption, and from collaboration with other organizations working on branchless banking. Highlights of what we have learned to date follow.

Client Adoption

- Mobile payments can reach the unbanked and the poor, although a majority of branchless banking users are people who were neither previously unbanked nor poor.
- However, branchless banking providers are typically reaching more unbanked people than the largest microfinance providers in their markets. In seven countries, for example, branchless banking services have 1.9 times more active, previously unbanked customers than the largest MFIs in the same markets.¹
- Branchless banking institutions grow at least as fast as, and often considerably faster than, MFIs.
- Domestic money transfers and bill payments are key services that facilitate adoption.
- People who use mobile payments also use their electronic wallets for temporary storage or savings.

Cost Effectiveness

- Branchless banking is cheaper than traditional banking. According to a CGAP study comparing 16 branchless banking providers and 10 traditional banks across 10 countries and different uses of financial services, branchless banking is 19 percent cheaper than traditional banking and 38 percent cheaper at lower values at which poor people are likely to make transactions.²
- Branchless banking is particularly cheap (50 percent cheaper) if clients use it for medium-term savings and bill payment. In the case of short-term safekeeping, banks as a group are cheaper (43 percent) than branchless banking services. For other uses (sending, receiving, high use, and typical M-PESA and Kenya bank customers), branchless banking is cheaper than traditional banking, but not dramatically so, ranging from 12 percent to 14 percent cheaper.

Agents Network

- Volume drives the business case for agents. In Kenya, M-PESA brings in three times the revenue of airtime sales.
- Agents' perception of risk in handling cash can be a determining factor in their willingness to operate as agents. Cash management represents the largest share of the cost structure (up to 30 percent).

1. CGAP Focus Note 66, "Branchless Banking 2010: Who's Served? At What Price? What's Next?", by Claudia McKay and Mark Pickens, September 2010.

2. The study looked at eight different use cases—(i) sending money transfers, (ii) receiving money transfers, (iii) short-term safekeeping, (iv) medium-term savings for an asset, (v) bill payments, (vi) high-frequency transactional account (as a proxy for financial inclusion) and two real-life transaction bundles (vii) the average M-PESA user, and (viii) the average Kenyan bank customer. (Data on M-PESA users are from a 2008 survey of 3,000 households by FSD Kenya and MIT. Data on Kenya bank customers are from "Technical Report: Bank Pricing Study," prepared for Central Bank of Kenya, September 2007.) Prices were adjusted for differences in purchasing power between countries to reflect that the value of US\$1 varies widely between the poorest country in the sample (Afghanistan, US\$800 GDP per capita) and the richest (Brazil, US\$10,200 GDP per capita).

Raising Awareness and Advocacy

CGAP has played a significant role in generating awareness and interest in branchless banking globally, helping industry to act by identifying and addressing key issues, and advocating pro-poor technology solutions that increase access to finance. In FY2010, we published four papers on lessons learned in our technology pilots and related research. In addition to numerous speaking engagements, outreach efforts included an 85 percent increase in page views on the Technology Blog, and an over 200 percent increase in the number of members in the CGAP Mobile Banking and Microfinance LinkedIn group.

As the business models for financial services delivery change, we gain a clearer picture of the considerable potential of new partnerships and new technologies. At the same time, we are mindful that the current hype about the potential for branchless banking sometimes runs ahead of reality. Moving forward, there remains a need for on-the-ground work to better understand market dynamics and funding and management capacity needed to reach scale. Equally important is ongoing research to probe deeper into customer adoption, agent networks, and business models.

The Information Systems Program

Created by CGAP in partnership with the European Union's Africa, Caribbean, and Pacific Programme, the Information Systems Program provides co-funding to MFIs for advisory services by independent consultants on a

EXPLORING LINKS BETWEEN SAFETY NET PAYMENTS AND FINANCIAL INCLUSION

CGAP has been exploring the potential of government-to-person (G2P) payments as a conduit for bringing banking and other financial services to poor people. It is estimated that 170 million poor people receive regular payments, which include social transfers, wages, and pension payments, from their governments. With appropriate experimentation, these payments have the potential to become a vehicle for extending financial inclusion and improving the welfare of poor people. Yet, in most countries, far less than one-quarter of G2P payments to the poor end up in bank accounts that enable recipients to store G2P payments and other funds until they wish to access them and make or receive payments from other people in the financial system.

In FY2010, CGAP undertook feasibility studies in Ethiopia, Ghana, and Pakistan, in collaboration with donors working in those countries, to identify opportunities for pilot projects linking government payments to financially inclusive accounts through the use of new technologies. These pilot projects have the potential to reduce delivery costs and leakage and to make the payment process more convenient for both the government and the recipient. More importantly, the pilot projects would enable the government social payment to "land" in a bank account that the recipient can use not only to receive the payment but also to save and make financial transactions. Finally, providing poor G2P recipients with financial services could strengthen the development impact of G2P payments. In FY2010, we published our early lessons learned in the Focus Note "Banking the Poor via G2P Payments," which looks at the early experience of providing financial services to poor G2P recipients and addresses five common concerns of policy makers and social development program managers.

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. In FY2010, CGAP helped finance 19 information systems assessments for MFIs (58 percent in Africa, Caribbean, and Pacific countries) and conducted consumer reviews of 25 microfinance management information system software programs.

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

Apart from a few notable exceptions, microfinance has not typically reached extremely poor people—a majority of today’s microfinance clients are thought to be just at the poverty line. This achievement is not negligible since, for most of these clients, the only other options are informal sources of finance that are often more costly and less secure. Yet, many governments, funders, and practitioners are specifically interested in reaching the extreme poor. CGAP shares this interest and has been experimenting with an approach that reaches extremely poor people. We also recognize, however, that for the chronically destitute without regular income or shelter, other forms of assistance—such as access to food, clean water, basic infrastructure, housing, and income-generating activities—are needed first.

The CGAP–Ford Graduation Program, co-sponsored by the Italian Development Cooperation and the European Commission, is a global effort to better understand how safety nets, livelihoods, and microfinance can be

INITIAL RESULTS OF IMPACT ASSESSMENTS OF THE BANDHAN GRADUATION PILOT IN WEST BENGAL

The initial results coming out of a randomized impact assessment of the graduation pilot implemented by Bandhan in West Bengal are extremely encouraging, according to a study conducted by Esther Duflo, Abijit Banerjee, and Jeremy Shapiro from J-Pal and IFMR.^a

- Households that participated in the program have experienced a 25 percent average monthly increase in consumption—with important increases in nutritious food, such as fruit, nuts, dairy, eggs, and meat.
- Treatment households also save more than the control group—nearly twice as much on average.
- The program has had a positive impact on child labor: as a result of the program, child labor has not increased; on the contrary, children whose parents participated in the pilot are studying on average 30–40 minutes more per day.
- The impact assessment observed a positive change in participants’ knowledge of and attitudes toward social and health issues, such as dowry and vaccination. Participants also report being happier and are more likely to say that their physical health has improved. However, it is important to note that, for now, the program has no current effects on actual health outcomes; such outcomes may need more time to develop.

^aThe draft report is available at <http://www.moody.com/microsites/miic2010/presentationfiles/shapiro.pdf>.

sequenced to create pathways for the poorest to graduate out of extreme poverty. The graduation model combines support for immediate needs with longer term investments in training, financial services, and business development so that within two years, the poorest have developed sustainable economic activities and are equipped to extricate themselves from extreme poverty. The graduation approach was originally developed by the Bangladesh Rural Advancement Committee (BRAC), one of the world's most successful NGOs.

Since 2006, CGAP and Ford Foundation have launched 10 graduation pilots in the following countries: Ethiopia, Haiti, Honduras, India, Pakistan, and Ghana, Peru and Yemen, which were launched in FY2010. Working with the poorest and most vulnerable households in these countries, the pilots are implemented through partnerships among financial service providers, local and international NGOs, and government social safety net programs. Although each pilot is tailored to the realities of the local context, the common building blocks of the graduation model are present at all sites. The graduation model is made up of five key building blocks: targeting, consumption support, savings, training, and asset transfer.

CGAP provided oversight and monitoring of all ongoing pilots, coordinated quantitative impact research and qualitative research, commissioned a costing study of the four more advanced pilots, and published a Brief on early implementation lessons.

Promoting Diverse Financial Services for the Poor: Focus on Savings

Savings is a crucial component of poor people's economic well-being and can have a direct impact on reducing poverty. Access to a savings mechanism can help poor people smooth their volatile income streams and accumulate sufficient funds to eat regularly, invest in education, and otherwise reduce financial stress. Appropriate savings can also help provide a cushion against common shocks, such as illness, death in the family, or crop failure. Finally, by saving small amounts over time poor people can invest in new tools and businesses to improve their productivity and can afford to search longer for more productive forms of employment.

Poor people know the value of savings. Household studies consistently show that poor people can and do save and that unbanked households already use a variety of informal savings instruments to manage their small and unpredictable incomes. Beyond its benefits for poor people, savings represents a vast, untapped source of capital for financial institutions that offers many advantages, including lower costs and greater reliability. During the global financial crisis, deposit-taking microfinance providers showed more resilience than their peers who depended solely on debt as a source of funding.

And yet savings services for poor people have failed to take off in the same way that microcredit has over the past few decades. Scaling up savings for the poor will happen only when financial institutions build customer relationships through profitable business models that combine convenient and flexible saving services, other financial products, and low costs. In FY2010,

we advanced the state of knowledge of the economics of small-balance savings, and we did cross-cutting work on savings in our main thematic areas.

Making the Business Case for Microsavings

Deposit services are expensive for microfinance providers, and it is hard to make a profit from customers who make lots of tiny deposits without massively trimming transaction costs. Yet, CGAP's Occasional Paper (no. 18) "Is There a Business Case for Small Savers?" shows that MFIs can integrate savings services as part of an overall service offering and that, in doing so, deposit services more than overcome their high operational costs, reaping significant profits for institutions. The paper suggests that many MFIs are already serving small savers profitably through cross-selling loans and other financial products and using technologies such as automatic teller machines. ADOPEM (Dominican Republic) and Centenary Bank (Uganda), two MFIs that offer savings for low-income clients, gave CGAP full access to their financial reports to conduct research for the study.

Starting a Savings Culture Early: Youth Savings Initiative

There are many findings indicating that early exposure to savings has a direct impact on the future economic security of individuals and families. CGAP is part of the YouthSave Consortium led by Save the Children in partnership with the Center for Social Development at Washington University and the New America Foundation, and with funding from the MasterCard Foundation and the Italian Ministry of Foreign Affairs. YouthSave aims to develop savings and other appropriate financial products for the estimated 1.1 billion young people ages 15–24 in the developing world. It seeks to help youth plan for the future, manage their current financial lives, and foster sound financial practices for the rest of their lives. In FY2010, CGAP participated in six country visits and helped select four financial institutions in Columbia, Ghana, Kenya, and Nepal to pilot and test a wide range of youth savings products. The Consortium also prepared and presented an initial position paper. The Youth-Save Consortium will use lessons learned from these pilots to encourage other financial institutions in these and other countries to offer youth savings and, more generally, small savings products to low-income people.

Improving Transparency on Financial Service Providers

Transparency on the financial and social performance of microfinance providers is fundamental for building responsible and inclusive financial systems. With the right information, microfinance managers can identify areas for improvement and make better decisions to improve their institution's performance and services to clients. Publicly available information on financial and social performance also enables managers to compare themselves to their peers and provides incentives to boost performance. Accurate, standardized information allows commercial investors, socially responsible investors, and donors to make informed funding decisions. Finally, relevant





disclosures on product offering and pricing empowers microfinance clients by giving them choices.

CGAP promotes transparency in microfinance through the development of standardized reporting formats and guidelines, data collection and analysis, award programs, and support to industry associations.

Microfinance Information Exchange (MIX)

Often referred to as the Bloomberg of microfinance, MIX is the premier data service on the performance of MFIs. More than 1,500 institutions report on their financial and social performance to MIX. MIX presents these data through its online platform, MIX Market (www.mixmarket.org), and tailored benchmarks, trend lines, and regional and country-level reports. The data and analysis provided by MIX are the deepest and largest in the microfinance industry, offering both a general overview and an in-depth look at microfinance markets and individual MFIs. Created by CGAP and spun off in 2002, MIX is sponsored by the Bill & Melinda Gates Foundation, Citi Foundation, Deutsche Bank Americas Foundation, the International Fund for Agricultural Development, the Omidyar Network, and the MasterCard Foundation.

In FY2010, CGAP continued to hold two board seats, including the chair position, with oversight and governance responsibilities. We also provided guidance to MIX's ambitious plans to develop fee-based services and become a financial inclusion data clearinghouse. Finally, MIX and CGAP continued to develop synergies, including co-branded products, such as regional benchmarking reports.

Social Performance

Great strides have been made in developing standards of social performance management and reporting at the level of retail institutions. Transparency on social performance measures how well institutions translate their mission into practice in line with accepted social values. Social performance indicators also shed light on the following questions: Who are MFIs reaching? How socially responsible are they toward their clients, staff, and environment? How poor are their clients? In what ways have financial services affected poor people's lives?

Incentivizing MFIs to Comply with Social Performance Disclosures

In 2009, CGAP, the Michael and Susan Dell Foundation, the Ford Foundation, and the Social Performance Task Force (SPTF) launched the Social Performance Transparency Awards to showcase MFIs that are committed to disclosing their social performance indicators. Administered by MIX, the awards program rewards openness and accountability in reporting—not the actual performance—of MFIs in meeting their social objectives. To qualify, MFIs' social performance reports have to be consistent with the industry standards set up by SPTF in collaboration with industry leaders. In FY2010, more than 350 MFIs submitted reports on their social performance, up from 200 in 2009. Of these, 173 MFIs have received awards or certificates to recognize their efforts to report on the social dimensions of their work.



Reviewing Social Performance and Poverty Measurement Tools

CGAP developed a methodology to conduct accurate consumer reviews of leading social performance tools. In FY2010, we completed two reports analyzing the reliability and user friendliness of two poverty measurement tools that are applied globally, the Progress out of Poverty Index and USAID's Poverty Measurement Tool. CGAP also organized a roundtable with funders, researchers, and MFIs to discuss the implications of using these tools together with the Multilateral Investment Fund.

Supporting the Social Performance Task Force

CGAP also promotes social performance transparency through continued participation in and support to SPTF, the microfinance industry's standard setter for social performance created in 2005. In 2008, SPTF released a set of social performance reporting standards that have been widely adopted and tested in the industry. In 2010 these social performance standards were streamlined into a set of 12 core reporting indicators. In FY2010, CGAP helped strengthen the governance of SPTF and supported its 2010 Annual Meeting. CGAP was also appointed as the donor representative on the SPTF steering committee.





Fostering an Enabling Policy Environment for Financial Inclusion

In FY2010, we witnessed a fast increasing number of governments making financial inclusion an official policy priority and adopting a variety of regulatory reforms with an explicit financial inclusion goal. This growing prioritization of financial inclusion resulted in an increased demand for CGAP policy research and advisory work. At the global level, the G-20 embraced financial inclusion as a tool to enhance financial stability, inviting CGAP, the Alliance for Financial Inclusion (AFI), and the International Finance Corporation (IFC) to oversee the evidence gathering for nine G-20 Principles on Innovative Financial Inclusion. These principles served as an initial framework for increased G-20 efforts on financial inclusion and were subsequently endorsed by G-20 leaders at their Toronto Summit in June 2010. Against this backdrop, our work focused on policy advisory and emerging high-impact issues.

POLICY ADVISORY WORK

CGAP's Policy Initiative seeks to establish policy and regulatory environments that balance increased access, financial stability, and protection of poor clients. To accomplish these objectives, CGAP provides to governments short-term, demand-driven advisory services that focus on five activity types. Highlights from our work in FY2010 include the following.

CGAP conducted **18 country-level policy diagnostics** to identify policy constraints and reform opportunities for improving financial inclusion. For example, we partnered with the Peruvian Superintendence of Banks, Insurance and Private Pension Funds, to assess the current climate for financial inclusion and consumer protection in Peru's fast growing branchless banking sector. Using CGAP's branchless banking diagnostic template, the Superintendence identified a series of potential policy reforms that could improve consumer protection with banking agents, including updating its reporting requirements for banks to require them to monitor consumer complaints related specifically to branchless banking agents, and held initial discussions on further rule changes to allow agents to assist with account opening and to clarify banks' liability for the actions of their agents.

CGAP organized **32 consultation, training, and awareness-building events** with high-level regulators and financial sector policy makers. In West Africa, for example, CGAP is working as a partner on the West African Central Bank's (BCEAO's) ongoing project to harmonize the microfinance laws of its eight member nations (Benin, Burkina, Côte d'Ivoire, Guinea-



Bissau, Mali, Niger, Senegal, and Togo.) This work with BCEAO included a series of workshops to help each member country implement the 2007 revised microfinance law, bringing the region one step closer to a single set of laws and regulations for microfinance.

CGAP actively participated in **61 dissemination events** of policy best practice principles at conferences and workshops. One event was a two-day virtual conference around responsible finance and consumer protection. The event featured 12 discussions moderated by a range of experts from across the globe, with more than 300 registered participants discussing topics ranging from acceptable returns on equity to the role of third-party certification in advancing responsible finance practices.

CGAP provided **24 technical commentaries on draft policy reform proposals** to help governments improve their regulation and supervision to advance financial inclusion. In Afghanistan, more than half of our recommendations on the draft regulations for e-money were incorporated into the final version of the regulation, with likely significant impact on the feasibility and profitability of branchless delivery of financial services in the country. Examples of changes include making it easier for consumers to verify the authenticity of agents; removing a requirement that all consumer complaints are reported by banks to the government within 24 hours (requiring instead that complaints be reported at least on a weekly basis); and removing an onerous requirement that all

e-money institutions must keep no more than 25 percent of their e-money float at a single banking organization (in a country with very few banks).

CGAP **published or contributed to others' publications** on financial inclusion policy-related topics. For example, CGAP served as one of the primary researchers and authors of the Basel Committee's report "Microfinance Activities and the Core Principles for Effective Banking Supervision"—the Basel Committee's first publication on a financial inclusion topic. This report reflects increased recognition by the Basel Committee and other standard-setters of financial inclusion's importance in the global financial system—and that financial inclusion can be complementary to its traditional objectives of financial stability and consumer protection.

Emerging Areas of Focus for Financial Inclusion Policies

In FY2010, much of CGAP's research, diagnostic, and advisory work focused on two specific areas of growing importance to financial inclusion policy: branchless banking regulation and consumer protection for low-income clients.

Branchless Banking Regulation

As branchless banking models emerge in increasing numbers of countries, policy makers' appetite is growing for advice on how to regulate these innovative approaches to financial service delivery. In the last few years, CGAP has played an important role in increasing governments' awareness about branchless banking as a tool for financial inclusion and advising policy makers on an appropriate regulatory framework for branchless banking. In FY2010, CGAP's Windsor Global Leadership Seminar on Regulating Branchless Banking (funded by the Bill & Melinda Gates Foundation and co-sponsored with DFID and AFI) once again drew many of the world's leading innovators in branchless banking policy and regulation. We also continued to offer well-received regional workshops on branchless banking regulation, bringing together both experienced and novice regulators on the subject to share their experiences so far with regulating and supervising these innovative new products and services. As experience with branchless banking policy continues to increase globally, CGAP is identifying good practices in emerging topics, such as consumer protection issues particular to branchless banking channels and products, and will continue to help policy makers identify proportionate steps to balance innovative access with protecting the interests of low-income and inexperienced consumers.

Consumer Protection

The global financial crisis, which was triggered in part by irresponsible subprime lending practices in developed countries, has raised worldwide awareness on the value of effective consumer protection laws and regulation. Subsequent microfinance crises in several countries—including Morocco, Bosnia, Pakistan, and Nicaragua—have raised the profile of these issues in our sector as well, creating an important opening to advance

IMPROVING FINANCIAL CONSUMER PROTECTION REGIMES IN KENYA

CGAP, in partnership with FSD–Kenya for the Financial Education and Protection Program and the Ministry of Finance, conducted a comprehensive consumer protection diagnostic of the Kenyan financial sector. Along with a review of relevant laws and regulations to identify gaps and areas for improvement, the diagnostic also sought direct input from Kenya consumers to provide both a qualitative and quantitative understanding of consumers' use of different financial products and service providers, and their experience in the market related to consumer protection issues. This included a series of focus group discussions and a quantitative survey of 1,548 adult consumers on their experiences with savings, loans, insurance, mobile payment, and informal finance, including pyramid schemes. The recommendations centered on practical short-term means to improve disclosure and recourse through existing regulatory authorities. As a result of the findings of this diagnostic, the Central Bank of Kenya plans to issue new credit disclosure rules early in 2011.



consumer protection policies that address the particular concerns of low-income and inexperienced financial consumers. In most countries, policy makers and regulators are now seeking solutions that ensure responsible lending practices, transparency, fair treatment, and effective recourse for consumers at the bottom of the economic pyramid, while at the same time facilitating the innovation and efficiency that are essential for big gains in financial inclusion.

In the last year, CGAP has explored consumer protection policies that are appropriate for lower access environments, using a range of tools and approaches to ensure high-quality, high-value products delivered to consumers in a fair and appropriate manner. Recent advances in our consumer protection work include the following:

- A Consumer Protection Diagnostic Tool—field-tested in nine countries—to assess laws; regulation; institutions, such as dispute resolution mechanisms, industry codes, and standards; and consumer awareness and financial capability initiatives.
- Direct research with low-income consumers on their use of financial services, experience in the market, and perceptions of their rights and remedies when things go wrong. These consumer research tools have been incorporated into our country-level consumer protection diagnostics, bringing consumers’ voices directly to policy makers.
- In FY2010, CGAP published “Consumer Protection Regulation in Low-Access Environments: Opportunities to Promote Responsible Finance,” the first Focus Note in what is to be a series of publications on consumer protection and responsible finance, setting the stage for upcoming investigations of specific consumer protection issues, such as pricing transparency, supervision, and recourse mechanisms.

Improving the Effectiveness of Funding

The success of microfinance has attracted an increasingly diverse range of funders, both public and private, ranging from bilateral and multilateral donors to private foundations, socially responsible investors, and even sovereign funds. The entry of new players has resulted in greater scrutiny and demand for more transparency on the impact of microfinance. At the same time, it has sparked debates about responsible finance and what kind of funding can most effectively help scale up and deepen poor people's access to finance.

CGAP strives toward a microfinance funding market in which diverse and complementary funding sources are used where they are most needed, so that all segments of the low-income market are reached. In this vision, the allocation of resources would be rational and optimized; subsidies would be placed in the areas of greatest need and greatest leverage; and commercial actors would be supported and encouraged to take over from public funding sources when institutions are able to absorb commercial funding. To this end, CGAP's work with funders is focused on two key goals: improving transparency on the funding landscape and helping funders improve how they work in microfinance.

IMPROVING TRANSPARENCY ON FUNDING

Transparency is a pillar of CGAP's work. It allows all stakeholders in the microfinance community to understand the funding landscape and its implications, which is critical to any sound analysis of the microfinance sector. Two annual surveys, the Microfinance Funder Survey and the Microfinance Investment Vehicle Survey, together provide the full picture of cross-border funding in microfinance, covering both primary funders as well as funding intermediaries. The surveys shed light on how much money is going into microfinance, where it is going, and who is giving it. Equipped with the right information, funders can make better decisions about which markets to concentrate on and how best to allocate their resources.

2010 Funder Survey

Over 150 funders participated in CGAP's 2010 Funder Survey. The survey results show that donors' and investors' commitments to microfinance continue to grow but at a slower pace than in previous years. As of December 2009, a total of US\$21.3 billion has been committed to microfinance, representing a 17 percent increase in commitments since 2008.

WHO ARE THE CROSS-BORDER FUNDERS OF MICROFINANCE?

Public funders. Public funders are institutions affiliated with a government or a group of governments. They include bilateral agencies (aid agencies and government ministries in developed countries, e.g., DFID and USAID), multilateral development banks and UN agencies (agencies owned by multiple governments, e.g., the World Bank), and development finance institutions, the private investment arm of government-owned bilateral development agencies (Germany's KfW) or multilateral development agencies (IFC of the World Bank Group).

Private funders. Private funders are organizations that are not directly affiliated with government, although they can also receive funding from public sources. In this context, private funders include institutional investors (e.g., pension funds and

financial institutions, such as insurance companies, banks, and asset management companies), foundations (family or corporation foundations, e.g., Bill & Melinda Gates Foundation and Ford Foundation), as well as individual investors (individuals that invest in microfinance investment vehicles [MIVs] or use online lending platforms, such as Kiva).

Microfinance Investment Intermediaries (MIIs). MIIs are investment entities that have microfinance as one of their core investment objectives and mandates. MIIs can provide debt, equity, or guarantees (directly or indirectly) to microfinance service providers (MFIs, banks, and cooperatives). The main types of MIIs are MIVs, holding companies, and others, such as peer-to-peer lending platforms.

Public funders provided 69 percent of total commitments to microfinance, with private funders accounting for the remaining 31 percent. However, private funders' commitments grew by 33 percent globally in 2009, while public funders increased their commitments by only 11 percent. Among public funders, multilateral and bilateral development agencies decreased their commitments compared to 2008, while development finance institutions (DFIs) increased their commitments by 29 percent.

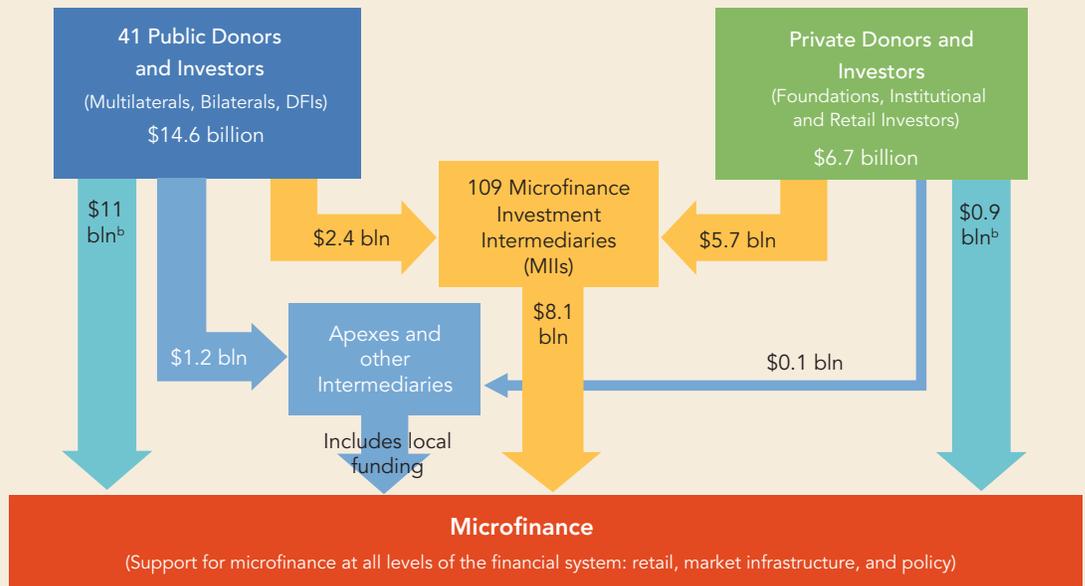
Debt remains the main financial instrument used for funding microfinance, but equity investments have grown rapidly. Around 88 percent of total commitments are used to refinance the portfolios of retail financial service providers. Only around 12 percent of commitments are dedicated to capacity building, most of it at the retail institution level.

About 50 percent of total commitments are channeled via intermediaries, such as MIVs, holding companies, and apexes. MIVs, independent investment entities with more than half of their assets invested in microfinance, have grown at lower rates for the third consecutive year, easing to 25 percent in 2009, from 34 percent in 2008 and 86 percent in 2007. For the first time, significant loan-loss provisions were recorded to cover the risk of defaults of distressed MFIs, a reflection of the lingering impact of the financial crisis.

Apexes

In FY2010, CGAP also conducted a survey of 33 apexes, including the largest ones. Apexes are wholesale microfinance funding agencies, usually set up to pool national government and international donor money. They provide loans or grants and technical assistance to MFIs, typically as part of a country's overall poverty alleviation strategy. It is estimated that well over US\$1.5 billion of public money per year is disbursed globally to microfinance through apexes funded by governments and donors. The survey showed that apexes

Cross-border Commitments to Microfinance, as of December 2009: \$21.3 billion^a



^a Amounts based on data submitted by 61 funders and 90 MIIs.
^b Includes funding through governments.

provide close to 90 percent of their funding in the form of local currency debt, thereby reducing MFIs' exposure to foreign exchange risks. Historically, apexes were set up as funding mechanisms in countries with undeveloped capital markets. With the increasing role of commercial sources of funding and deposits, the role of apexes may change.

IMPROVING THE QUALITY OF FUNDING

Several factors influence the quality of funding for microfinance, including the performance of the microfinance financial intermediary, the economic and political stability in the country, and the internal systems of the funding organization itself. To maximize its impact, CGAP focuses on what microfinance funders can change: their own internal management systems. Having the right internal strategy, systems, processes, and incentives is an essential condition for good microfinance programming.

Developing Standards and Guidelines for Funders

Many donors and investors that fund microfinance often struggle to hold their partners accountable through measurable and meaningful targets and indicators. In FY2010, CGAP published the Technical Guide *Performance-Based Agreements*, which presents the rationale for the use of performance-based agreements between donors and investors and the MFIs they fund and



suggests ways to incorporate performance-based targets and incentives into existing loan and grant agreements. The Guide focuses on agreements with retail service providers and provides guidance to donors and investors on how to develop performance indicators, realistic targets, minimum performance thresholds, and measures to address noncompliance.

In FY2010, CGAP published *MIV Disclosure Guidelines* to establish clear guidelines for MIVs reporting to investors. The guidelines are a result of several years of extensive consultation among more than 30 organizations, representing fund managers, rating agencies, banks, investors, and investors associations. They seek to facilitate the assessment of the risk-and-return profile of 91 active MIVs with total assets under management of US\$6.2 billion, as well as their social orientation. The recommended disclosures include key information on MIVs' profiles, including legal information and investment strategy, as well as selected indicators to assess financial performance and environmental, social, and governance (ESG) policies. MIVs are showing strong ESG issues in their investment: 40 percent are using an environmental exclusion list, 81 percent have endorsed the Client Protection Principles, and 69 percent report on ESG issues to their own investors.

Measuring the Quality of Funders

Developed and launched in 2007, CGAP's **SmartAid for Microfinance Index** is a tool to assess the effectiveness of funders' internal management systems.

In FY2010, at the request of participants in the 2009 SmartAid round, CGAP helped tackle the common challenge of weak accountability systems. As a follow-up to SmartAid 2009, CGAP worked with several funders to develop and implement action plans to put into practice key recommendations.

Advisory Services and Training

CGAP provides advisory services to funders with a focus on their internal management systems and project-specific advice to projects that are strategically important in a region or that might have an impact on a funders' overall effectiveness. Examples of advisory services in FY2010 include the following:

- **Improving the quality-enhancement process and technical capacity of the International Fund for Agricultural Development (IFAD).** CGAP participated in a review of a rural finance project in Kenya and of the overall quality enhancement process at IFAD. As a result of this quality enhancement review process, technical specialists from IFAD's rural finance unit will be involved at earlier stages in project design and participate in supervision missions. In addition, CGAP helped IFAD design a new course on rural finance, which will cover key performance indicators, performance-based agreements, and apexes.
- **Action plan to improve the African Development Bank's (AfDB's) microfinance operations.** CGAP and AfDB's Private Sector & Microfinance Operations Department (OPSM) developed an action plan to address the challenges identified by the SmartAid review. Priorities included revising OPSM's delivery approach for microfinance, strengthening the role of the microfinance working group, developing training, and consolidating data on AfDB's portfolio.
- **Advising the European Commission's (EC's) Africa, the Caribbean, and Pacific (ACP) Microfinance Programme.** CGAP continued to advise EC on its €15 million flagship microfinance program for ACP. Following a successful completion of the first phase of the program, which was coordinated by CGAP, CGAP helped EC design a second five-year program.
- **Helping the Canadian International Development Agency (CIDA) improve coordination of microfinance projects in West and Central Africa.** CGAP facilitated a workshop for 31 staff across several departments at CIDA to discuss how to better coordinate microfinance activities.
- **Training Funder Staff.** In FY2010, CGAP delivered three microfinance training courses for 55 funder staff in Indonesia, Kenya, and Senegal. The week-long course incorporates good practices on access to finance and aid effectiveness and is primarily designed for project managers and investment officers who make funding decisions for microfinance. CGAP also conducted training for staff of the Asian Development Bank, the Multilateral Investment Fund, and the Australian Agency for International Development.

CGAP's Engagement around the World

CGAP has regional representatives in sub-Saharan Africa, Eastern Europe and Central Asia, the Middle East and North Africa, and South Asia to support our policy dialogue with governments, engagement with funders, partnerships with providers, and communications with a wide range of stakeholders operating at the field level. CGAP's presence on the ground is leveraged by our broad network of partnerships across the world, including valued relationships with national and regional networks of microfinance practitioners, training partners, and field staff of CGAP member organizations.

All regional representatives work closely with regional managers based in Washington, D.C., or Paris and collaborate closely with colleagues in CGAP's main thematic teams in support of their workplans. The following examples illustrate work led primarily by regional representatives and regional managers.

SUB-SAHARAN AFRICA

CGAP continued its deep engagement in sub-Saharan Africa in FY2010, with special attention to advising governments on the appropriate policy and regulatory environment for access to finance, improving funders' coordination, and increasing awareness about emerging issues, such as consumer protection and branchless banking. We have one regional representative based in Abidjan, Côte d'Ivoire, who covers Francophone Africa, and one based in Nairobi, Kenya, in partnership with DFID and the Financial Sector Deepening Trust in Kenya, covering Anglophone Africa.

FY2010 Highlights

- CGAP led the drafting of a microfinance roadmap for the African Union that was adopted by heads of states.
- CGAP provided commentaries on draft microfinance regulations in Malawi, Nigeria, and Burundi, and advised the central banks of Rwanda and Burundi on branchless banking regulations. We also provided training for supervisors in Benin, the Democratic Republic of Congo, and Rwanda.
- In partnership with the United Nations Capital Development Fund (UNCDF) and the Swedish international development agency, Sida, CGAP participated in the steering committee of a joint project with BCEAO to improve the regulatory environment, strengthen supervision, and deepen understanding of the microfinance market. We reviewed the instructions for the new 2007 law and guided the finalization of a study on the tax regime for microfinance providers.



- In collaboration with the Alliance for Financial Inclusion and the German development bank KfW, CGAP sponsored the first-ever seminar on branchless banking in Francophone Africa to capitalize on the surge of regional interest in this new sector and address policy makers' need for guidance on emerging regulatory questions.
- CGAP continued to strengthen the network of training partners in Francophone Africa that was built through the Francophone Africa Capacity Building Program and is now also supported by Agence Française de Développement, the French development agency.
- CGAP hosted the annual meeting of funders in Francophone sub-Saharan Africa in Ouagadougou, Burkina Faso, which drew more than 40 representatives from 15 leading funding agencies active in the region to discuss the challenges—and possible solutions—to extend financial services to rural areas.
- CGAP reviewed the design of new funder projects in the region, including the new World Bank/DFID capacity-building program and the capacity-building fund of the African Development Bank and La Agencia Española de Cooperación Internacional para el Desarrollo, the Spanish Agency for International Development Cooperation. We also facilitated the access to finance working group of the Making Finance Work for Africa initiative.
- CGAP published, in partnership with MIX, "Sub-Saharan Africa 2009 Microfinance Analysis and Benchmarking Report."



MIDDLE EAST AND NORTH AFRICA

CGAP's work in the Middle East and North Africa focused on improving the policy and regulatory framework for access to finance and advising and coordinating with strategic funders and leading stakeholders in the region. We also kept an eye on high-growth markets like Morocco, where the effects of uncontrolled high growth are reflected in increased delinquency problems and lower profitability among MFIs. CGAP has one regional representative based in Ramallah, Palestine.

FY2010 Highlights

- CGAP joined forces with Deutsche Bank, the Islamic Development Bank, and Grameen Jameel to launch Islamic Microfinance Challenge 2010: Innovating Sustainable, Scalable, and Market-Driven Models, a global initiative to promote the design of shariah-compliant products for Islamic microfinance clients.
- CGAP organized the second high-level policy makers' forum to advance financial inclusion in the Arab world. Held in Damascus, the forum was chaired by the governor of the Central Bank of Syria and the vice president of the World Bank for the Middle East and North Africa region and gathered 25 representatives of central banks and ministries of finance from the region.
- CGAP advised large donors and investors on their microfinance strategies for the Middle East and North Africa region.

- CGAP collaborated with the Yemeni Government’s Social Fund for Development and Social Welfare Fund to design a graduation pilot in Yemen, aimed at providing the poorest households a pathway out of extreme poverty through a careful sequencing of grants, asset transfer, livelihood training, and introduction to financial services.
- CGAP published, in partnership with MIX, “2009 Arab Microfinance Analysis and Benchmarking Report.”

EASTERN EUROPE AND CENTRAL ASIA

CGAP’s activities in Eastern Europe and Central Asia focused on deepening strong relationships with national policy makers and regulatory authorities, as well as offering advisory services to donors and public investors in the region. In this work, CGAP is supported by longstanding partnerships with two key regional microfinance associations and resource centers, the Microfinance Center for Central and Eastern Europe and the Newly Independent States (MFC) in Poland and the Russian Microfinance Center (RMC) in Russia. We have one regional representative based in Moscow, Russia.

FY2010 Highlights

- The Russian president approved a new law “On microfinance activity and microfinance organizations” to introduce standardization of activities, performance indicators, and reporting of MFIs that register under the law, as well as to open up potential access to government support programs for all forms of MFIs. CGAP’s technical assistance, in partnership with RMC, helped to bring the law in line with global best practices.
- In collaboration with the European Bank for Reconstruction and Development and the World Bank, CGAP advised the Serbian Ministry of Finance and representatives of Serbian MFIs on a new draft law allowing nonbank institutions to lend in Serbia. As a result of these engagements, significant changes were made to the draft law, which is on an accelerated timetable for formal introduction into parliament. At the request of the Serbian Finance Ministry, CGAP also provided training to the minister and ministry staff on implementation of the draft law.
- The Fifth Biennial Krakow Policy Forum, organized by CGAP in collaboration with MFC since 2001, and in cooperation with RMC, marked a decade of bringing together high-level policy makers from the former Soviet republics to discuss regulatory issues affecting financial access. The 2010 Krakow Forum focused on consumer protection issues, given policy makers’ concerns about market saturation and over-indebtedness in many of the participating countries.
- CGAP published, in partnership with MIX, “Eastern Europe and Central Asia 2009 Microfinance Analysis and Benchmarking Report.”



LATIN AMERICA AND THE CARIBBEAN

To date, CGAP's engagement in Latin America has been relatively limited and mostly focused at the policy level. In the last year, with several governments in the region embracing financial inclusion as part of their national mandates, CGAP has increased its involvement in the region, with a focus on disseminating good policy and regulatory practices on access to finance, particularly with regard to branchless banking. CGAP has a regional manager for Latin America and the Caribbean based in Washington, D.C., but no field-based representative.

FY2010 Highlights

- Under the co-sponsorship of the Central Bank of Brazil, Corporacion Andina de Fomento, and CGAP, financial regulators and service providers from eight Latin American countries gathered at a workshop in Rio de Janeiro, Brazil, to share their current practices and discuss regulatory challenges for branchless banking.
- Under CGAP's auspices, representatives from the Colombian and Peruvian Superintendence, the Mexican Banking Commission, and the Central Bank of Ecuador attended a technical workshop in Bogota, Colombia, on mobile payments in Latin America for an in-depth exchange on their regulatory experiences, industry developments, technology, and business models related to the provision of financial services through mobile phones.

- In the aftermath of the catastrophic earthquake that struck Haiti in January 2010, CGAP in partnership with the Multilateral Investment Fund and the Inter-American Development Bank set up the online Haiti Microfinance Workspace to link donors, investors, and partners so that they could share information, coordinate their responses, and respond as efficiently as possible to the urgent needs of microfinance clients. Donors and funders have used the online platform to share status reports on the MFIs they fund and on their own recovery plans. The Microfinance Gateway set up a resource page on lessons learned from assisting microfinance during previous natural disasters, with links and references to best practice cases and documents. CGAP also provided technical and financial support to Digicel, the largest mobile network operator in Haiti, to develop a mobile banking service aimed at low-income clients.

EAST ASIA AND THE PACIFIC

CGAP's main focus in East Asia and the Pacific has been on policy issues and branchless banking, mostly in collaboration with key partners that have a significant regional presence. These include CGAP members, such as the Asian Development Bank, IFC, and the World Bank, as well as influential regional actors, such as the Asia-Pacific Economic Cooperation (APEC) Forum, the Southeast Asian Central Banks Research and Training Center (SEACEN), and Bank Negara Malaysia. We have a regional manager based in Paris and no field-based representative.



FY2010 Highlights

- At the invitation of IFC, CGAP participated in two conferences in China on branchless banking and rural finance and met with a broad spectrum of stakeholders. CGAP has also started to collaborate with the Working Group on Inclusive Finance in China to increase opportunities for engaging with Chinese stakeholders on financial access in China.
- In cooperation with SEACEN, CGAP trained 31 supervisors from eight Asian countries. The training covered topics from trends in financial inclusion policy to supervisory techniques.
- CGAP provided inputs into the design of the Financial Inclusion Initiative launched by the APEC Forum and participated in a meeting of its Advisory Group. A key CGAP objective has been to ensure coherence with the G-20 agenda on financial inclusion.
- At the invitation of the Bank of Thailand, CGAP facilitated a seminar on how the country can increase commercially viable access to finance, focusing on models of commercial retail institutions and the regulation and supervision of microfinance service providers.
- CGAP assisted several funders by providing inputs into their microfinance strategies and projects in the region. These included a Financial Sector Assessment Program in Cambodia, a major World Bank project in Indonesia, comments on AusAid's new financial inclusion strategy, and support to funders to develop a common strategy for financial inclusion in the Pacific (IFC, UNCDF, and NZ Aid).





SOUTH ASIA

As microfinance in South Asia came under intense scrutiny in 2010, CGAP focused on monitoring developments in a region fueled by extraordinarily high MFI growth rates and analyzing their implications for the global financial inclusion agenda. A number of CGAP's initiatives to test innovative delivery models are also implemented in South Asia in partnership with leading MFIs and government social programs. We have a regional representative based in Dhaka, Bangladesh.

FY2010 Highlights

- In collaboration with DFID, CGAP arranged for one of the first events on branchless banking in Bangladesh. This effort brought forward regional initiatives, raised awareness, and highlighted key policy and regulatory steps critical for the Bangladesh government to undertake for branchless banking to emerge.
- In July 2010, SKS became the first MFI in India to go public by offering its shares through an initial public offering (IPO) that was 13 times oversubscribed and helped SKS raise US\$155 million in fresh capital. The SKS IPO sparked intense debate among advocates of commercially driven microfinance and those who question whether high levels of profitability are compatible with the poverty reduction goals of microfinance. CGAP analyzed in detail the SKS IPO and discussed its possible implications for the future development of microfinance and for poor people.
- In collaboration with the Pakistan Microfinance Network and IFC, CGAP co-hosted a donor roundtable in Islamabad, Pakistan, to discuss the implications of the floods on Pakistan's microfinance sector. Fifty-seven representatives from local MFIs, donors, and policy makers participated.
- CGAP continued its close collaboration with the emerging branchless banking markets in Pakistan. This included coordination with the State Bank on a project with the market leader EasyPaisa to launch a mobile banking service targeting unbanked poor people in rural and urban areas. In addition, CGAP worked with Pakistan's Benazir Income Support Programme, which targets poor women and families in need, to study options for delivering social payments directly to recipients through technology-enabled channels, such as mobile phones, smart cards, and swipe cards.

Monitoring and Evaluation

CGAP's work is guided by its five-year strategy (FY2009–FY2013), which sets out the vision and broad strategic directions for CGAP. CGAP's strategy is intended to serve as a general compass for our work and is supplemented by an annual workplan with key priority areas and specific activities that CGAP proposes to undertake in a specific fiscal year.

CGAP monitors and evaluates its performance through a Results Framework that was developed jointly by CGAP's Executive Committee and staff. The Results Framework codifies CGAP's broad goals, as articulated in our strategy, and is organized into two tiers: the first tier articulates an industry-wide vision for financial inclusion, and the second tier describes CGAP's specific role and contributions in achieving that broader vision.

The Results Framework describes industry-level goals in three thematic areas: building the financial market infrastructure, fostering enabling policy environments, and improving the effectiveness of microfinance funders. Under each of the three areas, CGAP takes responsibility for achieving particular outcomes (or milestones) that directly link to these broad industry-level goals. The milestones reflect an ambitious agenda and a certain degree of risk-taking. We view success as not necessarily achieving all milestones, but the degree of achievement given external variables, such as political trends and the health of financial markets. To remain responsive to ever-changing market conditions, a significant portion of what we do is captured in our annual workplan rather than in the Results Framework.

Like many development organizations, CGAP continuously reassesses its monitoring and evaluation system with a view toward improving performance and capturing important lessons for future applicability. There are two primary levels of monitoring and evaluation of CGAP's performance.

INTERNAL MONITORING

Performance threshold targets and monitoring indicators are established at the outset of all CGAP projects as part of the investment proposal process. Proposals are reviewed and approved by CGAP management and then by the Investment Committee, comprised of several World Bank Group senior-level managers and representatives from CGAP's Executive Committee. Monitoring reports are completed for all projects semi-annually. At the end of each



project, a final report highlights key accomplishments, failures, and lessons learned. These reports are reviewed by CGAP management and are available upon request to CGAP members and other interested partners.

EXTERNAL EVALUATIONS

In addition to internal monitoring reports of individual projects, CGAP commissions independent external evaluations of major initiatives to measure outcomes against the objectives of specific projects. At the institutional level, an independent evaluation of CGAP is conducted every three years. With CGAP more than halfway through its strategy, the Executive Committee will commission an independent evaluation of CGAP's performance at the end of FY2011.

Knowledge Products and Communications

As a thought leader and platform for sharing the latest knowledge on financial services for the poor, communications are at the core of our business model and run across all CGAP work areas.

Building on a reputation for high-quality industry publications, today our approach has evolved to use the full range of communications tools encompassing new media (blogs, RSS, social networking), multimedia, virtual conferences, events, and webinars to influence the market and to advance thinking—and action—for better access to finance for poor people around the world.

Our publications are renowned for high-quality technical expertise written in an accessible style. In the course of FY2010, CGAP published a range of evidence-based publications from short, two-page Briefs, to Focus Notes and longer Technical Guides covering issues affecting poor people's access to finance. Topics addressed included consumer protection, the impact of microcredit, the use of government-to-person payments as a means to extend financial service choices for the poor, methodologies for reaching poorer clients, and the microfinance crisis in Morocco. In February 2010, we published an important paper looking at underlying vulnerabilities in MFI systems in high-growth markets. "Growth and Vulnerabilities in Microfinance" distilled lessons from four microfinance markets (Nicaragua, Morocco, Pakistan, and Bosnia and Herzegovina) that have experienced a microfinance repayment crisis after a period of high growth to examine ways in which the microfinance industry can address potential vulnerabilities.

Our publications reached approximately 100,000 people through print and Web downloads. Approximately 10,000 print pieces were distributed per month through direct mail and at conferences, totaling over 100,000 individual print pieces and 5,000 CDs offering all of CGAP's key publications. Forty-five CGAP publications were translated into French, Spanish, Arabic, Chinese, and Russian. All CGAP publications are available on cgap.org.

In addition to providing background information to the press, CGAP was cited more than 600 times as a credible source for data and analysis on access to finance in mainstream, regional, and trade press, including in media such as *The Economist*, *The Financial Times*, BBC, and CNN, among others.

Our corporate site, cgap.org, offers the latest publications and research on access to finance from CGAP and updates on the work we do with partners around the world. With over 1.6 million page views, over 400,000 site visits, and 300,000 unique visitors, traffic to the site increased steadily on the previous year. At the same time, CGAP made broad use of multimedia communications to stimulate dialogue and information exchange on key



issues affecting financial access. In the course of FY2010, we launched a new multimedia console on cgap.org, as well as a podcast on iTunes featuring interviews with industry experts. A video featuring our Haitian partner Fonkoze in the CGAP–Ford Graduation Program, launched at the Clinton Global Initiative, was downloaded more than 6,000 times on the CGAP Web site, and a new short film on M-PESA, filmed during our annual meeting in Nairobi, was downloaded more than 2,000 times in just two weeks.

The CGAP Microfinance Blog and Technology Blog featured a variety of relevant voices on emerging trends and sometimes controversial issues in microfinance, driven by experts engaged in industry debates and with their ears to the ground. Hundreds of people participated in our virtual conferences on responsible finance and consumer protection, on MFIs, and on mobile banking.

Now in its 10th year, the Microfinance Gateway (www.microfinancegateway.org) continues to be the most comprehensive online resource for the global microfinance community. The Gateway encourages knowledge exchange by providing access to the latest research and publications and features articles on industry trends and developments; it also posts organizations' and consultants' profiles, job openings, and current news and events in the field. With over 5 million page views and well over a million visits in 2010, the Gateway consistently ranks at the top in the Google search for microfinance. The Gateway registered a 7 percent increase in page views and visitors in FY2010. The Gateway also continued to expand outreach

through affiliate sites in French (www.french.microfinancegateway.org) in partnership with GRET and ADA in France, Arabic (www.arabic.microfinancegateway.org) in partnership with Sanabel in Egypt, and Spanish (www.spanish.microfinancegateway.org) in partnership with the INCAE Business School in Costa Rica.

FY2010 PUBLICATIONS

Reports

Financial Access 2009 (Oct 2009)

Annual Report (Dec 2009)

Focus Notes

Growth and Vulnerabilities in Microfinance (no. 61, Feb 2010)

Consumer Protection in Low-Access Environments (no. 60, Feb 2010)

Does Microcredit Really Help Poor People? (no. 59, Jan 2010)

Banking the Poor via G2P Payments (no. 58, Dec 2009)

Scenarios for Branchless Banking in 2020 (no. 57, Oct 2009)

AML/CFT: Strengthening Financial Inclusion and Integrity (no. 56, Aug 2009)

Occasional Papers

Microfinance Foreign Exchange Facilities: Performance and Prospects (no. 17, Apr 2010)

All Eyes on Asset Quality: Microfinance Global Valuation Survey 2010 (no. 16, Mar 2010)

Briefs

Apexes: An Important Source of Local Funding (Mar 2010)

Investors Implementing the Client Protection Principles in Microfinance (Jan 2010)

Creating Pathways for the Poorest: Early Lessons on Implementing the Graduation Model (Dec 2009)

Improving Effectiveness from within: SmartAid for Microfinance Index (Dec 2009)

Window on the Unbanked: Mobile Money in the Philippines (Dec 2009)

The Rise, Fall, and Recovery of the Microfinance Sector in Morocco (Dec 2009)

MIV Performance and Prospects: Highlights from CGAP's 2009 MIV Benchmark Survey (Sep 2009)

Poor People Using Mobile Financial Services: Observations on Customer Usage and Impact from M-PESA (Aug 2009)

Governance Structure

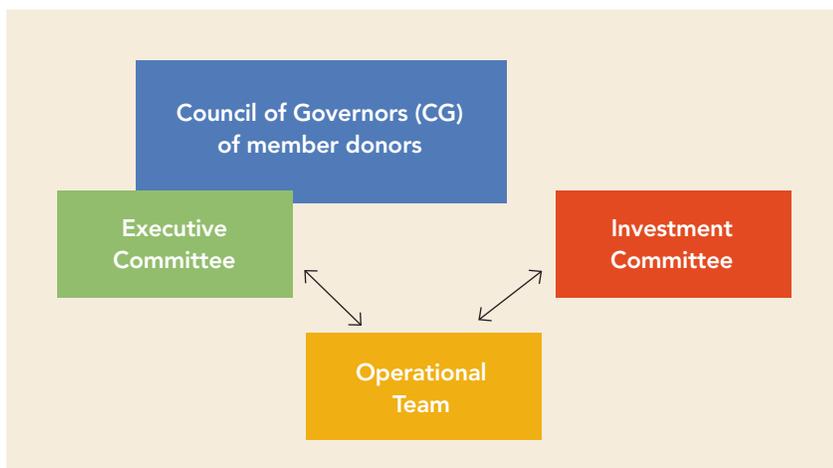
CGAP has an autonomous governance structure that consists of the Council of Governors (CG) of member donors, the Executive Committee (Excom), and the Investment Committee (IC). Housed within the Financial and Private Sector Development Vice Presidency of the World Bank Group, the Operational Team implements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

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

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

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

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





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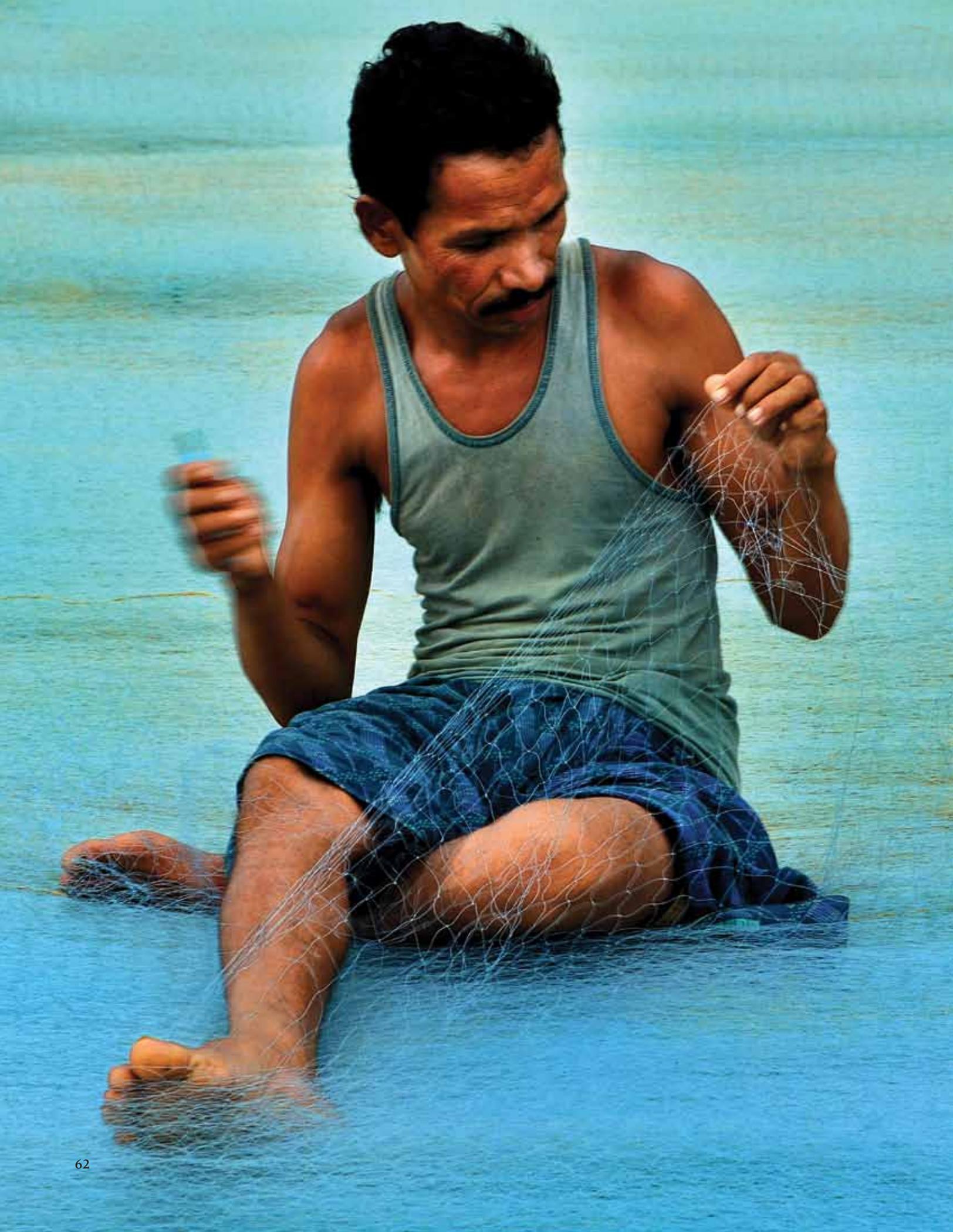
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CGAP Financial Statements

Projections for Fiscal Year 2010, ending on 30 June 2010

CGAP is a trust-funded 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 30 June.

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

HIGHLIGHTS

- **Donor Contributions.** CGAP members continue to demonstrate their commitment to CGAP's five-year strategy through sustained core funding. Total revenue in FY2010 was \$21 million of which \$13.2 million was for core contributions. Core contributions have remained steady from FY2009 to FY2010. Designated contributions have increased due to new commitments to the Technology Initiative (from the Bill & Melinda Gates Foundation and DFID).
- **Grant Commitments.** In FY2010, CGAP committed \$4.4 million in new grants and initiatives. This includes projects approved by the Investment Committee in October 2009 (\$1.6 million for Phase II of Improving Effectiveness of Microfinance Funding and \$440,000 for Youth Savings Initiative) and in April 2010 (\$2.4 million for Phase IV of the Policy Initiative). The approved Investment Committee proposals on the effectiveness of microfinance funding and the policy initiative represent two of the three core thematic areas of the current CGAP strategy.
- **Operating Expenses.** Operating expenses in FY2010 were \$11.6 million, up from \$10.8 million in FY2009. This is due primarily to expenses associated with staff costs. The full costs of senior hires made in FY2009 were realized in FY2010, and the running costs of staff conversions in FY2008 and FY2009 also impacted the FY2010 budget. In FY2011, there will be no new net hires, and CGAP will carefully examine replacement hires as a means of reining in staff costs.

- **Communications.** CGAP's communications commitments include publications, mailings, translations, and dissemination by regional and national networks. Commitments for communications activities decreased from \$1.8 million in FY2009 to \$1.4 million in FY2010 due primarily to the treatment of expenses related to the Microfinance Gateway. In the past, Microfinance Gateway expenses were captured in the communications line item to demonstrate the fully loaded costs of our communications efforts. The CGAP Budget Team decided that IC-approved communications-related activities should more appropriately be captured against the category of grants/initiatives disbursed. CGAP will continue to make investments in its communications infrastructure as this is the primary vehicle through which our messages are disseminated.
- **Information Technology (IT).** Having a solid IT infrastructure in place has become even more critical as CGAP's internal and external knowledge management, knowledge products, and communications become more complex and dynamic. In FY2010, commitments for IT activities went up to \$1.3 million, compared to \$0.9 million in FY2009. We have experienced significant challenges with IT software configuration and vendor management issues over the last two years. Transitioning to a single platform for all CGAP Web and data services has been costly, slow, and problematic. With appropriate staffing and improved vendor contracts with clearer deliverables, we expect that many of these challenges will be resolved over the two-year period FY2011–FY2012.
- **Financial Position.** At the end of FY2010, CGAP's operating reserves closed at \$6.6 million, significantly lower when compared to \$9.1 million in FY2009. As a general rule, and in accordance with good practices, our objective is to have sufficient reserves to cover six months at full operations and 12 months of going concern (staff salaries/office and occupancy). Recognizing an overall increase in expenses against flat revenue, the CGAP Management Team committed to demonstrating efficiency gains by accepting a policy of "no new net hires" and reducing travel and other direct costs.

1. Basis of Accounting

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

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

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

2. Contributions from Donors—Core and Designated

Donor contributions (including pledges that have not yet been received but are being processed by the donor), interest income, and foreign exchange gains make up CGAP's revenues. Per CGAP's charter, all members are expected to contribute core funding to carry out CGAP's operations. Once donors have made core (unrestricted) contributions, they can make, in exceptional cases, a contribution limited to a specific purpose (designated). Amounts of donor contributions to CGAP's core funds can be found in the table on CGAP Member Donor Contributions and Pledges, FY2009–2011.

The Statement of Revenues and Expenses shows donor contributions allocated for FY2009 and FY2010. The Statement of Cash Flows/Inflows, on the other hand, shows all donor contributions received during the fiscal year regardless of the fiscal year to which they relate.

3. Interest Income, Foreign Exchange Gains, and Adjustment

Interest Income is the interest received during the fiscal year on cash balances held. Foreign exchange gains are the difference between the estimated U.S. dollar equivalent of donor contributions appearing in previous years' financial statements and the actual U.S. dollar value of the contribution when it was finally converted to U.S. dollars. In the FY2010 Financial Statements, we note an adjustment of \$0.7 million to account for a multi-year pledge that was retroactive starting in FY09. Interest income in FY2010 was \$0.4 million compared to \$1.6 million in FY2009.

4. Grants and Initiatives

This expense category relates to CGAP's work program, which is carried out through grants to MFIs and networks, as well as initiatives focused on policy issues, financial and social transparency, donors/investors, branch-less banking and technology, and other multi-component 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.
- CGAP Internships include the costs of associate microfinance analysts and the summer fellows program.
- CGAP Representation, Member Services, and Training include costs that are not related to grants and initiatives (airfare, subsistence and hotel

costs to give presentations, participate in external events, fund presenters, corporate consultants, trainers of CGAP staff, and CGAP-hosted meetings and brown bag events.)

- Communications Activities include publishing, printing, editing, and all Web site costs, including Microfinance Gateway and cgap.org, etc.
- Information Technology Activities include Web site development and maintenance, CGAP's intranet services, and back-end database support for project data, monitoring and evaluation, and market intelligence.
- CG and Excom Meetings include travel, facilities, food services, and other expenses connected with CGAP's annual meeting and Excom meetings.
- Foreign exchange loss is the difference between the estimated U.S. dollar equivalent of donor contributions appearing in previous years' financial statements and the actual U.S. dollar value of the contribution when it was finally converted to U.S. dollars.
- Returned donor contributions refers to donor contributions included in the previous year's financial statements but later cancelled or returned due to donor request.
- Administration fees are levied by the World Bank for costs related to trust fund administration (currently at 5 percent of contribution).

6. Operating Reserves

Reserves are funds available for ongoing operations and future commitments. Given that CGAP 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 should 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 at the end of the fiscal year. In FY2009, this amount was \$10.2 million. In FY2010, this amount was \$4.1 million.

Bank balances relating to undisbursed grants/initiatives represent approved commitments that are in the process of being disbursed and hence not available for new commitments. In FY2010, bank balances for undisbursed grants/initiatives was \$23.8 million. The balances comprised of outstanding grant disbursements related to the Technology Initiative and to new initiatives committed in FY2010, which will begin disbursing in FY2011.

8. Donor Contributions Receivable

Donor Contributions Receivable represents FY2010 contributions that have not been received. In FY2010, donor contributions receivable was \$3.9 million (20 percent of total FY2010 donor contributions). The table that follows provides additional details.

DONORS	ESTIMATED FY10 CONTRIBUTION (USD)
AFD/France (Designated contribution)	209,678
Canada (FY2009–2010 contributions)	1,452,854
European Commission	575,042
Japan	300,000
Norway	776,361
Spain	394,680
UNCDF	100,000
USAID	100,000
TOTAL	3,908,615

9. Liabilities

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

10. Contributions Received in Advance

Contributions Received in Advance represent pledges already received in FY2010 for future fiscal years.

DONORS	CONTRIBUTIONS RECEIVED IN ADVANCE (USD)
Dell Foundation	100,000
European Investment Bank	232,997
Gates Foundation	800,000
Italy	202,605
TOTAL	1,335,602

CGAP FINANCIAL STATEMENTS

Fiscal Years Ending 30 June 2009 and 30 June 2010

	Actual July 2008–June 2009	Actual July 2009–June 2010
Statement of Revenues and Expenses		
REVENUES		
Contributions from Donors—Core	12,117,747	13,201,645
Contributions from Donors—Designated	3,909,885	6,593,318
Interest Income	1,619,301	442,729
Foreign exchange gains/Adjustment *		752,429
Total Revenues (A)	17,646,933	20,990,121
EXPENSES		
Grants/Initiatives Committed	2,120,000	4,405,000
CGAP Technology Initiative	2,500,000	6,383,640
Staff Salaries and Benefits	3,787,564	4,576,586
Office and Occupancy Costs	1,289,924	1,473,351
Monitoring and Evaluation	2,797	4,835
Project Preparation and Rapid Response	81,687	196,621
CGAP Field Consultants	505,010	826,181
CGAP Internships	254,328	405,158
CGAP Staff Travel/Representation and Service Providers	895,848	853,961
Communications Activities	1,778,049	1,441,543
IT Activities	921,951	1,348,556
CG and ExCom Meetings	253,746	227,137
Foreign Exchange Losses	338,010	
Returned Donor Contribution		539,260
Administration Fee	513,020	744,393
Total Expenses (B)	15,241,934	23,426,222
Excess of Revenues over Expenses for the year (A)-(B)	2,404,999	(2,436,101)
Operating Reserves at beginning of the fiscal year	6,676,214	9,081,212
Operating Reserves at the end of the fiscal year	9,081,212	6,645,111
Balance Sheet		
ASSETS		
Bank Balances on hand	10,246,211	4,072,098
Bank Balances relating to Undisbursed Grants/ Initiatives and Communications Activities/IT Activities	22,477,178	23,076,130
Donor Contributions Receivable	3,218,369	3,908,615
Total Assets	35,941,758	31,056,843
LIABILITIES		
Bank Balances relating to Undisbursed Grants/ Initiatives and Communications Activities /IT Activities	22,477,178	23,076,130
Contributions Received in Advance	4,383,368	1,335,602
Total Liabilities	26,860,546	24,411,732
Operating Reserves/(Net Assets)	9,081,212	6,645,111
Total Liabilities and Net Assets	35,941,758	31,056,843

	Actual July 2008–June 2009	Actual July 2009–June 2010
Statement of Cash Flows		
INFLOWS		
Donor Contributions Received	18,209,361	19,107,869
Interest Income	1,619,301	442,729
Foreign Exchange Gains		26,002
Total Inflows	19,828,662	19,576,600
OUTFLOWS		
Cash spent against previous commitments	7,135,829	4,644,058
Grant disbursements	2,254,210	1,453,964
Disbursements related to initiatives	4,881,619	3,190,094
Cash spent against current year commitments	1,242,609	1,447,902
Grant disbursements	650,000	—
Disbursements related to initiatives	5,912	425,100
Project preparation and rapid response	81,687	196,621
CGAP field consultants	505,010	826,181
CGAP/Gates Technology Initiative	4,928,050	7,445,021
Grant disbursements	2,351,538	4,179,480
Disbursements related to initiatives	2,576,512	3,265,541
Operating expenses	10,844,374	11,614,780
Staff salaries and benefits	3,787,564	4,576,586
Office and occupancy costs	1,289,924	1,473,351
Monitoring and evaluation	2,797	4,835
CGAP internships	254,328	405,158
CGAP staff travel/representation and service providers	895,848	853,961
Communications activities	2,587,186	1,441,543
IT activities	921,951	1,348,556
CG and ExCom meetings	253,746	227,137
Foreign exchange loss/adjustment	338,010	—
Returned donor contribution	—	539,260
Administration fee	513,020	744,393
Net increase/(decrease) in undisbursed grants/ initiatives, and communications activities/IT activities	(10,647,523)	598,952
Total Outflows	13,503,339	25,750,713
NET INCREASE (DECREASE) IN CASH	6,325,323	(6,174,113)
Bank balances on hand at beginning of the fiscal year	3,920,888	10,246,211
Bank balances on hand at end of the fiscal year	10,246,211	4,072,098

* Adjustment includes expected retroactive donor contributions.

CGAP FINANCIAL STATEMENTS

Fiscal Years Ending June 30, 2009 and June 30, 2010

Projected Total Donor Contributions to CGAP Budget—FY2009 to FY2011 In U.S. dollars

Core	FY2009	FY2010	FY2011
World Bank	4,325,000	3,900,000	3,315,000
AFD/France	434,333	355,076	355,076
African Development Bank	0	0	200,000
Asian Development Bank	0	0	0
Australia	279,565	407,300	407,300
Canada	726,427	726,427	0
Citi Foundation	100,000	100,000	100,000
Dell Foundation	200,000	100,000	100,000
Denmark	572,023	600,437	619,951
European Bank for Reconstruction and Development	0	0	0
European Commission	717,050	575,042	575,042
European Investment Bank	257,060	272,260	232,997
Finland	357,136	361,634	334,200
Ford Foundation	0	0	0
Gates Foundation	0	400,000	400,000
Germany	361,975	311,975	311,975
IADB/MIF	50,000	100,000	150,000
IFAD	300,000	300,000	500,000
IFC	300,000	300,000	300,000
ILO	0	0	0
Italy	203,828	203,828	202,605
Japan	300,000	300,000	300,000
Luxembourg	508,140	454,455	454,455
Mastercard Foundation	200,000	200,000	499,975
Netherlands	400,000	400,000	400,000
Norway	0	776,361	776,361
Omidyar Network	299,975	299,975	300,000
Spain	413,220	394,680	394,680
Sweden	390,879	412,065	412,065
Switzerland	383,465	415,244	455,327
UNCDF	100,000	100,000	100,000
United Kingdom	390,100	334,887	201,127
United States	300,000	100,000	100,000
Core	12,870,176	13,201,645	12,598,136
Designated	3,909,885 ^{1/}	6,593,318 ^{2/}	5,613,451 ^{3/}
Total	16,780,061	19,794,963	18,111,587

Note: Contributions not yet received are italicized.

^{1/} United Kingdom, Bill & Melinda Gates Foundation, and France.

^{2/} United Kingdom, Bill & Melinda Gates Foundation, and France.

^{3/} United Kingdom, Bill & Melinda Gates Foundation, France, and the World Bank.



Staff Biographies

Julia Abakaeva, *Microfinance Specialist*. Julia joined CGAP in 2005 and works with the Technology Program. Before joining CGAP she was a consultant at the Internationale Project Consult for nine years. She has a master's degree in finance and management from Clark University. She speaks English and Russian.

Hédia Arbi, *Language Program Assistant*. Hédia, a Tunisian national, works in the Access to Finance team as a language program assistant. In addition to her daily administrative and SAP responsibilities, Hédia contributes to the unit's report production by reaching out to French- and Arabic-speaking countries to solicit their participation in a global survey on financial access. She also works with CGAP's budget team as a transaction specialist. She joined the World Bank in 1989, working in the Africa Region. Hédia holds a Baccalauréat en Gestion (management) and spent two years in l'Ecole Nationale d'Administration in Tunisia. She studied art and language at La Dante Alighieri school in Tunisia and attended a course in literature at the University in Perugia, Italy. She speaks Arabic, English, French, and Italian.

Oya Pinar Ardic, *Economist*. Before joining CGAP's Access to Finance team in 2010, Oya was an associate professor at the Department of Economics at Bogazici University in Istanbul, Turkey. She holds a bachelor's of art degree and a master's of art degree in economics from Bilkent University, and a master's of science degree and doctorate in economics from the University of Wisconsin, Madison. Oya's research focuses on economic growth and development, international finance, macroeconomics, socioeconomics, and more recently, access to finance. She has co-authored and published papers in several peer-reviewed academic journals. She speaks Turkish and English.

Shweta S. Banerjee, *Analyst*. Shweta coordinates CGAP's social media and events strategy and also conducts research, analysis, and writing related to knowledge products. Previously she worked as a policy analyst on the Global Assets Project at the New America Foundation, advocating innovative savings products and services. Her opinion piece on savings in microfinance appeared in *Foreign Policy* magazine. She worked for over two years in the World Bank's South Asia Region on community-driven, rural livelihoods projects where she undertook qualitative research and analysis as well as project

development. She also managed the knowledge and learning agenda for the livelihoods program. She studied social anthropology at the University of Chicago and at Cambridge University, UK, and history at Delhi University.

Chris Bold, *Microfinance Specialist*. Chris joined CGAP in 2009 as a member of the Technology Program. Chris is on leave from the UK Department for International Development (DFID), where he has worked for the past three years. At DFID, Chris worked in the Financial Sector Team, where he led their work on branchless banking, exploring the use of new technology to expand access to finance, and started a new work stream looking at the link between government payments and financial inclusion. Most recently, Chris was based in Kabul, Afghanistan, where he managed DFID's portfolio of programs on private sector development. Before joining DFID, Chris worked as a financial sector consultant in Sierra Leone and in several European countries. He holds a bachelor's degree in science from the University of Cambridge and a master's degree in development and social policy from the London School of Economics.

Lauren Braniff, *Microfinance Analyst*. Lauren works with the Technology Team and manages CGAP's work on information systems, including the Information Systems (IS) Fund and software listings and reviews. Lauren evaluates MFIs' applications to the IS Fund and supports MFIs throughout the IS Fund assignment. She also oversees CGAP's software listings, which provide information on over 80 IS software products for the microfinance market, and works with a team of independent consultants to conduct evaluations of select products. Before joining CGAP, Lauren worked on microenterprise development and for an MFI in Cambodia. She holds a master's degree in international development from Johns Hopkins University and a bachelor's degree in political economy from the University of California, Berkeley.

Ann Courtmanche, *Senior Program Assistant*. Ann is a member of the Government & Policy Team. She works on budgeting, reporting, monitoring, and event coordination, as well as consultant relations. Before joining CGAP in 2005, she worked in agricultural marketing, including international grain market analysis for the U.S. wheat export market. She has a master's degree in agricultural economics from Rutgers University and

a bachelor's degree in economics and French literature from Hobart & William Smith Colleges.

Denise Dias, *Policy Specialist*. Denise is a member of CGAP's Government & Policy Team and the regional manager for Latin America and the Caribbean. Her areas of focus are branchless banking policy, regulation, and supervision, as well as the prudential regulation and supervision of deposit-taking MFIs. Before joining CGAP, Denise was a CGAP Policy Advisory Consultant and served as an independent consultant with organizations such as GTZ, FIRST Initiative, and the World Bank. Prior to that, she worked in the banking supervision and licensing departments of the Central Bank of Brazil, headed a small Internet business in Brazil, and audited government programs for the Brazilian Ministry of Treasury. She has a master's degree in business administration in international banking and finance from Birmingham Business School, an MBA in financial sector economics from USP (Brazil), and a bachelor's degree in business from UFMG (Brazil). She speaks Portuguese, English, and Spanish.

Eric Duflos, *Senior Microfinance Specialist*. Eric has over 15 years of experience in microfinance. Since joining CGAP's Donors & Investors Team in 2003, he has focused on policy issues and aid effectiveness. Eric previously managed CGAP's Microfinance Donor Peer Reviews and Country-Level Effectiveness and Accountability Reviews (CLEARs) and currently manages CGAP's work on the broad role of government and advisory services for donors and investors. Eric leads CGAP's work on national microfinance policies and strategies and apexes; he covers microfinance issues in East Asia and China. He regularly teaches policy issues at the Boulder Microfinance Training Program in Turin and is lead trainer for CGAP's course for funders. Before joining CGAP, Eric spent seven years in Laos, where he worked with UNCDF/UNDP, the World Bank, and the Central Bank to set up MFIs and establish policy and regulatory frameworks. Eric has worked in several countries, including Cambodia, Haiti, Indonesia, Mali, Nicaragua, Madagascar, Pakistan, and Sri Lanka. He holds a master's degree in management from the Lyon EM and a master's degree in economics and international relations from the Johns Hopkins University School of Advanced International Studies. A French national, Eric speaks French and English, and some German and Lao.

Tilman Ehrbeck, *Chief Executive Officer*. Tilman joined CGAP as its CEO in October 2010. Prior to CGAP, Tilman was a partner with the management consulting firm McKinsey & Company, where he held a series of leadership positions in the firm's global Banking & Securities and Healthcare Payor & Provider Practices. He has worked in Africa, Asia, Europe, and North America. He was part of the leadership of the firm's Indian operations in 2005–2009. Over the past 10 years, he has advised a number of governments, microfinance networks, foundations, and commercial players on a variety of financial inclusion issues

ranging from new products and services aimed at better meeting underlying end-user needs, to new business models significantly lowering operating costs, to enabling infrastructure and policy interventions. Tilman holds a Ph.D. in Economics from the European University Institute, the graduate school and research center sponsored by the European Union, and an undergraduate degree from the University of Hamburg. He speaks German, English, and some French and Italian.

Mayada El-Zoghbi, *Senior Microfinance Specialist*. Mayada is the manager of the Donor & Investor Team, based in Paris. With over 16 years of experience in microfinance, Mayada brings operational, management, research, and funder advisory experience to CGAP. She oversees all of CGAP's work products for donors and investors and serves as a core technical specialist on training, research, and the SmartAid Index. Before joining CGAP, she founded and managed a development consulting firm for eight years, working with several funding agencies. Mayada led numerous technical assistance, evaluation, and research assignments including projects in Afghanistan, Egypt, Palestine, and Sierra Leone. She also served as a research director for a USAID knowledge management initiative on microfinance and conflict, where she authored numerous papers and facilitated many industry learning events. She supported the start-up and growth of MFIs in Palestine, Bosnia and Herzegovina, and Kosovo. From 2006 to 2008, Mayada was an adjunct associate professor at Columbia University's School of International and Public Affairs (SIPA) teaching courses on microfinance. She holds a master's degree in international affairs from SIPA at Columbia University and a bachelor's degree in business from the University of Minnesota. She is bilingual in Arabic and English.

Xavier Faz, *Senior Technology Adviser*. Xavier is an adviser to the Technology Program, where he studies business models for branchless banking and the development of agent networks. More broadly, he supports the agenda on information systems and shared technology platforms in the context of microfinance. Before joining CGAP, Xavier worked with Bansefi in Mexico, where he led the development of a shared technology platform, a network of MFI services, and a payments switch for the microfinance sector. Prior to that, Xavier worked at McKinsey and Company on issues related to business strategy and technology for large corporations both in the public and private sectors. Xavier holds a master's degree in computer science from Stanford University, and an engineering degree from the Instituto Tecnológico de Monterrey, México.

Evelyne Fraigneau, *Executive Assistant to the Director*. Evelyne joined CGAP in 1999. She provides assistance to the CGAP director and CEO. Before joining CGAP, Evelyne worked in the World Bank's Africa region and at the French mission to the United Nations office in Geneva, Switzerland. She studied

language translation at St. Bénigne Institute in Dijon, France, and Georgetown University.

Barbara Gähwiler, *Associate Microfinance Analyst*. Barbara joined CGAP's Donors & Investors Team in 2008. She works with participating funders on the SmartAid for Microfinance Index, conducts research on topics that are relevant for donors and investors, and supports the team's advisory and training services. She contributes to efforts to increase the transparency of funding in microfinance such as supporting the CGAP Microfinance Funder Survey. Barbara is also in charge of the team's communications and helps disseminate good practice standards and operational resources to donors and investors. She has master's degrees in international affairs from the University of St. Gallen and the Institute of Political Science in Paris, where she specialized in development studies. She is fluent in German, English, and French, and has working knowledge of Spanish.

Zoë Gardner, *Program Assistant*. Zoë joined CGAP in 2003 and supports the Donors & Investors Team in Paris and CGAP's work in the Middle East/North Africa region. Before joining CGAP, Zoe worked as an office manager in the film production and publishing industries in Australia in addition to working in the media sector in the United Kingdom and for Texaco in Bermuda.

Jasmina Glisovic, *Microfinance Specialist*. Jasmina joined CGAP in 2004 and works with the Donors & Investors team in CGAP's Paris office. Jasmina manages CGAP's Funder and Microfinance Investment Vehicle surveys and provides advisory services to donors and investors. She is CGAP's lead on the savings agenda. Before joining CGAP, Jasmina worked as a credit manager for the Danish Refugee Council in Serbia and for the Micro Development Fund. She has a master's degree in economics and speaks Serbian (native), English, and French.

Natalie Greenberg, *Microfinance Gateway Deputy Manager*. Natalie helps manage the Microfinance Gateway Web site, as well as the French, Arabic, and Spanish affiliate sites. Prior to joining CGAP in 2010, she worked at the QED Group, supporting USAID's Microenterprise Development office with their communications and knowledge management initiatives. She also served as a Peace Corps volunteer in Bulgaria and later managed USAID-funded projects focusing on small and medium enterprise development. Natalie holds a master's of public administration with an international development concentration from Rutgers University.

Maximilien Heimann, *Financial Analyst*. Maximilien joined CGAP in 2008 as a member of the Financial Access Team. He collaborates with others on the team to design and implement the annual Financial Access report. Before joining CGAP, he worked on access to finance initiatives at the World Bank's

Financial Access Unit, including on the Housing Finance and Banking the Poor reports. Maximilien holds a degree in international business administration from the Universidad Pontificia Comillas (ICADE) and a master's degree in international affairs from the Johns Hopkins School of Advanced International Studies. He speaks French, Spanish, Italian, and Portuguese.

Luz Hurlburt, *Resource Management Assistant*. Luz joined CGAP in April 2007. She has worked for the World Bank since November 1995. 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. Luz speaks English and Tagalog.

Joyce Antone Ibrahim, *Analyst*. Joyce joined CGAP in February 2010 and works on the Financial Access Team. Previously she worked as an analyst at the World Bank's Transparency and Accountability Unit, conducting research and data analysis on disclosure and conflict of interest legislation for public officials worldwide. Joyce has also worked on disarmament issues at the United Nations Headquarters, as well as legal issues in health care at MartynLiles, PLLC, a Washington, D.C.-based law firm. She holds a bachelor of science degree in foreign service from Georgetown University and a master of arts degree in international affairs and international economics from Johns Hopkins University's School of Advanced International Studies. She speaks Arabic and English and is proficient in French.

Tanaya Kilara, *Associate Microfinance Analyst*. Tanaya joined CGAP in 2010 and brings operational experience from a previous position serving as part of the start-up team for an urban MFI in India. In her four years there, Tanaya was instrumental in building the business plan, bringing in equity investors, designing financial products, and managing sales and operations. At CGAP, Tanaya is building the business case for youth financial services, with a specific emphasis on youth savings. She has an MBA from the Wharton School and a bachelor's degree in economics from St. Stephen's College, Delhi. Tanaya speaks three Indian languages in addition to English.

Antonique Koning, *Microfinance Specialist*. As a member of CGAP's Donors & Investors Team, Antonique works closely with donors and investors to help them improve the quality of their funding for microfinance. She focuses on issues related to responsible finance and is a member of the Social Performance Task Force Steering Committee. Antonique also coordinates CGAP's regional representatives in Africa, Asia, and Eastern Europe and Central Asia. In the past five years, she coordinated the European Union's Microfinance Program for Africa, the Caribbean, and the Pacific. Before joining CGAP, she worked

with the World Savings Banks Institute. Antonique has a master's degree in international trade management and policy from the University of Birmingham and a master's degree in applied economics from the Katholieke Universiteit Leuven. She speaks English, Spanish, French, and Dutch

Kabir Kumar, *Microfinance Analyst*. Kabir works on CGAP's Technology Program. He designs experiments and builds partnerships on the use of cell phones and other technologies to expand the poor's access to finance. Prior to CGAP, he was an IT and telecommunications marketing and strategy consultant and has worked at the World Bank on gender equality and economic growth. Kabir has a dual master's degree in public administration and international relations from the Maxwell School of Syracuse University.

Estelle Lahaye, *Microfinance Analyst*. Estelle joined CGAP in 2007 and focuses on improving the effectiveness of funding for microfinance with the Donors & Investors team. Based in Washington, D.C., she manages the CGAP Funder Training Program, supports the team's advisory services, and conducts research on several topics relevant to donors and investors. In addition, Estelle is involved in CGAP's Responsible Finance work by providing support to funders who have endorsed the Smart Campaign and the Client Protection Principles. Before joining CGAP, she worked as an account manager in Luxembourg at Banco Itaú Europa, the international private banking division of Itaú, Brazil. Estelle 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 fluent English, French, and Portuguese and has rudimentary skills in Spanish.

Rudeewan Laohakittikul, *Budget Officer*. Rudeewan manages CGAP's funding portfolio and budget monitoring, planning, and analysis and ensures compliance with audit requirements of fund disbursements. Before joining CGAP in 2010, Rudeewan managed the budget for several units in the World Bank Group, including the Information Systems Group Vice Presidency and the Sustainable Development Networks. Earlier, she worked with Citibank, Thailand, and developed a call monitoring and professional development system to improve the quality of the CitiPhone Call Center. She also worked at the planning and purchasing unit for Lever Brothers and Bristol Myers in Thailand. She holds an MBA with a concentration in finance from the University of Baltimore.

Alexia Latortue, *Deputy CEO*. Alexia Latortue joined CGAP in 2002 and moved to Washington, D.C., in 2010, after spending four years managing CGAP's Paris office. She leads CGAP's work in sub-Saharan Africa. From Europe, she led CGAP's aid effectiveness work, including the development of the SmartAid for Microfinance Index, a tool that helps microfinance funders assess and improve their funding for microfinance. She also

headed the CGAP team that provides strategic and technical advice on microfinance to donors and investors and produces comprehensive data on cross-border funding for microfinance. Previously, she was a development specialist with Development Alternatives, Inc., where her responsibilities included working in Haiti on microfinance projects. She is a board member of the Microinsurance Network. Alexia has a master's degree in development economics from the Fletcher School of Law and Diplomacy at Tufts University. She speaks English, French, Creole, German, and some Spanish.

Timothy Lyman, *Senior Policy Adviser*. Tim joined CGAP in 2005 to lead the Government & Policy Team. In this capacity, he focuses primarily on regulatory and supervisory issues in financial inclusion. He is a co-author of CGAP's Guiding Principles on Regulation and Supervision of Microfinance. He co-chaired the Basel Committee's Microfinance Workstream, which led to the publication in 2010 of *Microfinance Activities and the Core Principles for Effective Banking Supervision*—the Basel Committee's first ever guidance on a financial inclusion topic. Tim also led CGAP's work in 2010 on behalf of the G-20's Financial Inclusion Experts Group, including CGAP's input into the G-20's *Nine Principles on Innovative Financial Inclusion*. Tim has worked in the area of microfinance-related policy and regulation in every region of the world, and has been working in community development for over 25 years. Prior to CGAP, Tim worked as a partner in the law firm of Day, Berry & Howard (now Day Pitney) and served as president of its affiliated philanthropic foundation, the Day, Berry & Howard Foundation. From 1994 to 2005, he served as principal outside legal counsel to Save the Children/U.S. Tim holds a bachelor's degree from Harvard University and a law degree from New York University School of Law. He speaks English, French, Spanish, and Bosnian/Croatian/Serbian, as well as conversational German and Russian.

Meritxell Martinez, *Microfinance Analyst*. Meritxell works with CGAP's Donors & Investors Team. Prior to joining CGAP in 2009, she interned with the IFMR Trust in India and with UNICEF in Benin, where she led a qualitative evaluation of a microcredit initiative targeting women. She also worked for the European Commission in Albania for two years and spent two years working with the World Bank on human development in Washington, D.C. Meritxell holds an MPA from Harvard's Kennedy School, where she specialized in international development and the analysis of policies and institutions. She completed a one-year degree in international trade at Solvay Business School, the College of Europe in Poland, and has a bachelor's degree in political science from Pompeu Fabra University. She is fluent in Spanish, Catalan, French, and English and has rudimentary skills in Italian, Portuguese, Russian, and German.

Anuj Mathur, *Chief Information Officer*. Anuj leads the planning and execution of the Information Technology Team. Prior to joining CGAP, Anuj was a senior manager at BearingPoint, leading a variety of technology and management consulting initiatives across a global client base. Anuj holds a master of business administration from the Darden School of Business at the University of Virginia and a bachelor's degree in computer science from the University of Pune, India.

Rafe Mazer, *Associate Microfinance Analyst*. Rafe is a member of CGAP's Government & Policy Team. He works on a variety of issues, including the use of consumer experience and demand-side analysis to develop effective consumer protection and financial capability policy reforms. Prior to CGAP, Rafe worked on community organizing, small-farmer agriculture, fundraising, and communications. While pursuing a master's degree in international development policy at Duke University, Rafe served as managing director of the Duke Microfinance Leadership Initiative, launching a student-run microfinance investment fund that is partnering with a community bank in rural Uganda. His field experience includes working with Habitat for Humanity and Opportunity International in Ghana, with the Fair Trade coffee sector in Guatemala as a Fulbright Scholar, and with labor unions in Chile and the United States. In addition to his master's degree, Rafe has a bachelor's degree in international relations from Pomona College and speaks fluent Spanish and some Portuguese.

Djibril Maguette Mbengue, *Microfinance Specialist*. Djibril joined CGAP in 2007 and is a member of the CGAP's Government & Policy Team, focusing on sub-Saharan Africa. Djibril serves as a trainer in CGAP's financial and operational management courses for MFIs and funder training programs. Before joining CGAP, he was a portfolio technical manager at UNCDF, where he was involved in several inclusive finance projects in West and Central Africa. From 2000 to 2004, he served as director of operations at REMIX, a consulting firm specializing in providing microfinance services. Previously, Djibril was the manager of Internal Control at Crédit Mutuel du Sénégal, a savings and credit cooperative network based in Senegal. He holds a master's degree in business administration and speaks English and French.

Claudia McKay, *Microfinance Specialist*. Claudia works with the Technology Team, focusing on research areas related to the large-scale adoption and use of branchless banking by low-income, unbanked people as well as the business case for agents. Prior to CGAP, Claudia spent seven years with Opportunity International, where she worked as director of product development. She also spent four years working as the head of microfinance banking at Opportunity Bank in Malawi, a commercial microfinance bank. Prior to Opportunity International, Claudia was a management consultant with the Boston

Consulting Group, where she worked with various Fortune 500 companies around the world in areas of organizational development, strategic planning, and marketing management. She holds an MBA from Oxford University and a bachelor's degree in international relations from Claremont McKenna College.

Kate McKee, *Senior Adviser*. Kate joined CGAP in 2006 as a senior adviser for Policy, Outreach, and Aid Effectiveness. She is leading CGAP's work on responsible finance. Prior to joining CGAP, Kate served as director of the Microenterprise Development Office at the United States Agency for International Development. She is a development economist, with a master's degree in public and international affairs from the Woodrow Wilson School of Princeton University.

Melanie Melindji, *Budget Program Assistant*. Melanie joined CGAP in 2008 as part of the Budget and Corporate Management Team, where she handles the hiring process and contracts for consultants, processing payments, and creating purchase orders and purchase requisitions. Before joining CGAP, Melanie worked for the World Bank in Washington, D.C., for nine years and at IFC for two years. She holds a bachelor's degree in history and geography. Earlier, she worked in South Africa as a personal assistant for AfriOre (a Canadian mining exploration company in Johannesburg), African Communication Agency in Johannesburg (sole representative of CNN International in Africa), and the Algerian Embassy in Pretoria. She was also the administrative assistant at Swiss Reinsurance Company. Melanie speaks fluent English and French.

Margaret Miller, *Senior Economist*. Margaret joined CGAP in 2009, focusing on financial capability and social marketing. Other key areas of her work at CGAP include savings, credit information, and demand-side analysis. Before joining CGAP, Margaret worked in financial sector operations and research at the World Bank for 15 years. She led efforts to develop research operations on credit bureaus at the World Bank and edited *Credit Reporting Systems and the International Economy* (MIT Press 2003). Margaret has a Ph.D. in economics from the University of California at Berkeley. She also holds a master's degree in international policy studies and a bachelor's degree in economics with departmental honors from Stanford University. Margaret also studied at the École Nationale des Sciences Politiques in Paris and speaks French, Spanish, and Portuguese in addition to English.

Aude de Montesquiou, *Microfinance Analyst*. With over six years of experience in microfinance, Aude is the task team leader for the CGAP–Ford Foundation Graduation Program, a global effort to understand how safety nets, livelihoods, and microfinance can be sequenced to create pathways to help the poorest out of extreme poverty. Aude supports the overall coordination of the program and helps shape its research

agenda. She also provides technical support to pilot implementation, facilitates global knowledge sharing, and distills lessons through various publications. For the past several years, Aude has also been the relationship manager for the Microinsurance Network, a leading platform for insurers, funders, and academics to promote valuable insurance products for the poor. Before joining CGAP, Aude completed internships with PlaNet Finance and MFIs in Lebanon and Togo. She holds a master's degree *summa cum laude* from The School of Political Science in Paris, with a major in development studies, and holds a bachelor's degree in history from The Sorbonne. Aude is fluent in English and French, speaks Portuguese and Spanish, and has rudimentary German.

Zia Morales, *Microfinance Gateway Associate*. Zia works on content development and Web site monitoring and management for the Microfinance Gateway, as well as its affiliate sites. Before joining CGAP, Zia developed and managed communications and marketing projects for a variety of public and private sector clients. She holds a master of arts degree in communication, culture, and technology from Georgetown University.

Marve M. Mulavu-Biggedi, *Operations Assistant*. Marve is an assistant in the Budget/Corporate Management Team, where she works closely with the operations manager, providing assistance in the day-to-day business and administrative functions including human resources and administrative services. She also provides back-up assistance to the executive assistant. Before joining CGAP, Marve worked as a branch communication officer and bank teller at Equity Bank Kenya. She also worked as a human resources manager with a security firm in Nairobi, where she managed payroll, recruiting, and training of ex-military and policemen, as well as led management initiatives. She is fluent in English and Swahili.

Anna Nunan, *Publications Manager*. Anna joined CGAP's Communications Team in 2005. She has more than 25 years of experience in all areas of nonprofit publishing. Anna has a bachelor's degree in journalism from the University of Maryland and a master's degree in business administration from Johns Hopkins University.

Jasobanta Panigrahi, *Technical Architect*. Jasobanta joined CGAP in 2009 and is a member of CGAP's Information Technology (IT) team. He has more than 17 years of experience in the IT consulting industry, with the last seven years before CGAP with American Express in Arizona working in the areas of Web portal development, content management, search feature development, and Web analytics. Prior to that, he worked for Tech Mahindra/Satyam, OpenText/Vignette, and Tata Consultancy Services in various IT-related projects. He holds a bachelor's of science degree in physics and a graduate diploma in operations, and received his master's degree in

computer applications from Regional Engineering College in Rourkela, India.

Jake-Anthony Pauig, *Publications Assistant*. Jake joined CGAP in 2008. His responsibilities include inventory maintenance and fulfillment/distribution. Previously, he was a contracted site manager in charge of all operational and strategic processes for shipping, receiving, and messenger services for the 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 manages CGAP's business and Web technology infrastructure. Before joining CGAP in 2007, she 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 Specialist*. Mark leads CGAP's work on customer adoption with new banking technologies and advises mobile, technology and banking industries on reaching the mass market. In the past year, he has conducted field work in the largest slum in Nairobi, rural India, and Brazil's northeast to understand how low-income consumers use mobile money. Prior to joining CGAP, Mark led an award-winning startup crowd-sourcing progressive news in New York City, and founded a health enterprise that doubled child vaccination rates in a rural district of Madagascar. He worked as a microfinance consultant for banks and microlenders in Bosnia, Cambodia, Mali, and Madagascar. His work has been quoted in *Wired*, *The Economist*, *The Banker*, and CNN.com. He holds a master's degree from Columbia University.

Stephen Rasmussen, *Technology Program Manager*. Stephen heads CGAP's Technology Program and has more than 25 years of experience in microfinance leadership. The Technology Program at CGAP works to expand financial services for the poor using mobile phones and other technologies and is co-funded by the Bill & Melinda Gates Foundation, CGAP, and the UK Department for International Development. Prior to CGAP, Stephen was the World Bank's microfinance focal point for South Asia as well as the IFC's nominee director on the boards of two microfinance banks. From 2001 to 2008 he was CEO of the Pakistan Microfinance Network. From 1994 to 2003 he headed up the Aga Khan Rural Support Programme, a large rural development program in northern Pakistan, where he also helped establish First MicroFinanceBank, the first microfinance bank in Pakistan.

Xavier Reille, *Lead Microfinance Specialist*. Xavier joined CGAP in 1999 and co-manages CGAP's Donors & Investors Team in addition to chairing the board of directors of the Microfinance

Information Exchange and leading CGAP programs in the Arab world. He is also the founder of the Microfinance Gateway, the knowledge platform of the microfinance industry. Xavier managed the G-8 CGAP MENA Initiative from 2005 to 2008 and led CGAP's transparency and technology programs from 2000 to 2005. Prior to joining CGAP, Xavier set up several microfinance investment funds in Southeast Asia for Catholic Relief Services and worked for SIDL, a venture capital company focusing on SME investments. Xavier has been a board member of several microfinance banks and nonprofit organizations. He has also authored over 20 publications on access to finance. Xavier has a master's degree from the University of Paris. He speaks French, Spanish, English, and Bahasa Indonesian

Sarah Rotman, *Associate Microfinance Analyst*. Sarah works on the project and research agenda of the Technology Program, designing projects in the area of branchless banking to deliver financial services to unbanked customers. Her research projects include linking government payments to financial inclusion and exploring the business case for agents. Prior to joining CGAP, she was a Peace Corps volunteer in Benin, worked for a development nonprofit on educational projects in Haiti and Africa, and interned with an MFI in Rwanda. She has a master's degree in international relations from Johns Hopkins University's School of Advanced International Studies.

Valentina Saltane, *Financial Analyst*. Valentina joined CGAP in 2008 after working for a year on the *Banking the Poor* report for the Financial Access Unit. Previously she worked as a research analyst at the Law and Economic Consulting Group (LECG). While at LECG, she took part in market as well as private company data collection and analysis assignments in New York, London, and Argentina. Valentina also worked for the World Resources Institute as a program coordinator. She holds a master of public administration degree from Cornell University and a bachelor's degree from Colby College. Valentina has lived in Argentina, Bolivia, Japan, New Zealand, Norway, Latvia, Russia, and the United States. She speaks Latvian, Russian, and Spanish as well as some German and French.

Ousa Sananikone, *Senior Private Sector Development Specialist*. Ousa is responsible for CGAP's funding strategy and for reporting on CGAP's work. Before joining CGAP in 2000, she worked on microfinance and SME development in the World Bank's Private Sector Development Department, where she provided research and technical support to various World Bank projects. She has co-authored publications on the informal sector in West Africa and on SME development in East Asia. Ousa holds a master's degree in international affairs from Georgetown University and a bachelor's degree in political science from Trinity College. She is fluent in Lao, Thai, French, and English.

Renu Sehgal, *Resource Management Analyst*. Renu is a member of CGAP's Technology Team. She oversees all program administration activities including budgeting, grant management, fund disbursement, procurement, event coordination, and handling of consultant contracts. Before joining CGAP in 2008, she worked with USAID in India on urban sector reform agenda. She has a bachelor's degree in political science from Lady Sri Ram College of Delhi University, India.

Yanina Seltzer, *Associate Microfinance Analyst*. Yanina joined CGAP in 2009 and focuses on branchless banking policy and regulation. She also coordinates CGAP's involvement in the G-20 Access through Innovation subgroup of the Financial Inclusion Experts Group. Before joining CGAP, Yanina worked for Mobile Metrix, Sun Microsystems, the Inter-American Development Bank, and Nathan Associates, Inc. She has a bachelor's degree in economics, politics, and Latin American studies from Brandeis University and a master's degree in development economics and international business from the Fletcher School of Law and Diplomacy at Tufts University. She speaks English, Spanish, and Portuguese, and some French and Hebrew.

Pete Siu, *Operations Officer*. Pete joined CGAP in 2008 to work on corporate strategy, monitoring and evaluation, and outreach to stakeholders. Previously, he worked at an international development consulting firm, where he managed agricultural reconstruction projects in Afghanistan and led change management initiatives at the firm's headquarters. He holds a law degree from the Northwestern School of Law, a master's degree in business administration from the Kellogg School of Management, and a bachelor's degree from the Massachusetts Institute of Technology.

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

Michael Tarazi, *Senior Policy Specialist*. Michael joined CGAP in 2008 as a member of CGAP's Government & Policy Team. He leads the team's efforts in the area of branchless banking regulation and has worked with regulators around the world, including in the Maldives, Nigeria, Rwanda, Fiji, Haiti and Jordan, to develop regulatory frameworks. He is a co-author of *Nonbank E-Money Issuers: Regulatory Approaches to Protecting Customer Deposits* and *Islamic Microfinance: An Emerging Market Niche*. Michael teaches courses on branchless banking at the Boulder Institute's Microfinance Training Program. He was

chosen as a Young Global Leader by the World Economic Forum and is a member of the Forum's Dialogue Series on Access to Finance through Technology. Prior to CGAP, Michael was a corporate attorney in private practice and served as an advisor to Israeli-Palestinian peace negotiations. Michael holds a bachelor's degree from Harvard University and a law degree from Harvard Law School. He speaks English, Arabic, and French.

Jeanette Thomas, *Head of Knowledge Products and Communications*. Jeanette and her team handle all corporate communications, media, and positioning for CGAP, as well as stakeholder engagement and project communications. The team is responsible for the strategy and management of a full suite of knowledge and communications products, encompassing a series of publications, the CGAP Microfinance Blog, the CGAP Technology Blog, as well as the corporate Web site, cgap.org, and the Microfinance Gateway. Before joining CGAP in 2004, Jeanette was news editor and senior producer in the BBC's Washington Bureau. She started her 11-year tenure at the BBC in London, producing radio documentaries and *Start the Week* with Melvyn Bragg. She moved into TV news with *Newsnight* in 1999, and spent five years covering North America for BBC News, including the 2000 and 2004 presidential elections, the 9/11 airline attacks, earthquakes in El Salvador, the Afghanistan and Iraq wars, and the economic crash and elections in Argentina. In 2003–2004, she produced a series of films for the World Bank on development projects in the Middle East. She continues this media work as she develops CGAP's multimedia presence, including launching a multimedia console on cgap.org in 2009 and producing project-based films, as well as an interview series available as a podcast on iTunes. Jeanette has a master's degree and Ph.D. in English Literature from Oxford University. She speaks English, French, and rudimentary Spanish. She recently returned to Washington, D.C., after two years based in Jerusalem.

Tonia Wellons, *Senior Operations Manager*. Tonia 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, Tonia worked in local government training, technical assistance, and capacity building, both domestically and internationally. She 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.

CGAP REGIONAL REPRESENTATIVES

Greg Chen, *Regional Representative for South Asia*. Based in Dhaka, Bangladesh, Greg works to deepen CGAP's engagement across eight countries in South Asia, collaborating with regional partners on technology, policy, and funding issues. He has experience in microfinance as a practitioner in an MFI, as a manager of a national microfinance association, and as a technical adviser on small business lending. His engagements include extensive policy work with central banks and with many of the region's leading MFIs and commercial banks. Prior to CGAP, Greg worked for the Aga Khan Development Network, ShoreBank International, and Bank of America. He has an undergraduate degree in economics from Wesleyan University and a master's degree from Harvard's Kennedy School. An American national, Greg has been resident in South Asia for most of the last 12 years.

Mohammed Khaled, *Regional Representative for Middle East North Africa Region (MENA)*. Based in Ramallah, Palestine, Mohammed works to deepen CGAP's engagement in the MENA region, collaborating with regional partners on issues such as technology, policy, and funding for microfinance. Mohammed has over 25 years of experience in developing and managing innovative projects that empower women and the poor. Beginning as a practitioner in 1994, Mohammed has served as the founding director and a senior trainer of Sanabel, the region's microfinance association. He has also been working as a consultant and an adviser for several donors in the region, including the Rockdale Foundation, Grameen Foundation/U.S. (later Grameen-Jameel), Agfund, and UNDP. A Palestinian national, Mohammed speaks Arabic and English.

Moses Ochieng, *Regional Representative for East and Southern Africa*. Based in Nairobi, Moses has a joint appointment with CGAP and DFID as a financial sector specialist. From Kenya, Moses works to deepen CGAP's engagement in the East and South African region, collaborating with regional partners on issues such as technology, policy, and funding for microfinance. Moses has over 15 years of experience in development finance and consulting in the region as well as in Southeast Asia. He has worked with several microenterprise and MFIs in various capacities, ranging from technical assistance and capacity building to operations. Prior to CGAP, Moses ran a company and enterprise development consulting business in South Africa. He has also worked as the regional technical adviser for Microeconomic Development for Southern Africa with World Vision International and with CARE International as team leader for a microfinance wholesale lending project in Bangladesh. He received his doctorate from the University of Bedfordshire and a master's degree from the University of Stirling. Moses is a Kenyan national and speaks English and Kiswahili.

Corinne Riquet, *Regional Representative for Francophone Africa*. Based in Abidjan, Cote d'Ivoire, Corinne works to deepen CGAP's engagement in Francophone Africa, collaborating with regional partners on issues such as capacity building, technology, policy, and funding for microfinance. Corinne has been lived in Côte d'Ivoire for the past 22 years and has 19 years of experience in microfinance, including serving as an adviser for a program that financed small and microenterprises in urban and semi-urban areas. Since 2001, she has been working as an independent consultant in microfinance in several African countries, advising MFIs and funders on organizational audit practices, business plan development, appraisals, designing financial service projects in rural areas, and evaluating and defining national microfinance strategies. Since 2002, she has been a resource person for CGAP's MFI Capacity Building Program in Francophone Africa, where she serves as a supervisor in training-the-trainer seminars. A French national, Corrine holds a master's degree in developmental economics from CERDI, University of Clermont Ferrand. She speaks French and English.

Olga Tomilova, *Regional Representative for Europe and Central Asia (ECA)*. Based in Moscow, Olga has a joint appointment with CGAP and EBRD as microfinance specialist. She works to deepen CGAP's engagement in the ECA region collaborating with regional partners on issues such as policy, technology, and funding for microfinance. Before joining CGAP in 2007, Olga managed the Central Asia Microfinance Center, a joint project of the Microfinance Centre (MFC) for CEE, NIS (MFC), and CGAP in Kazakhstan. She worked at MFC for four years as manager of the training and consulting department. Prior to that, she was a researcher for a microfinance project at Harvard University in Russia. In addition, Olga worked in two MFIs in Russia: as executive director for the Russian Women's Microfinance Network in Moscow and as an accountant and assistant to the finance manager for Opportunity International in Nizhny Novgorod. She has a degree in history, social sciences, and applied sociology from Nizhny Novgorod State University and holds a professional certificate in accounting. A Russian national, Olga speaks English and Russian.

The photos in this Annual Report are just a sampling of the nearly 1,000 entries to the CGAP 2010 Microfinance Photography Contest. Photo credits are as follows:

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