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# AMAP FINANCIAL SERVICES KNOWLEDGE GENERATION PROJECT

Quarterly Report #13 : Year 4, Quarter 2

January 1 to March 31, 2007

This publication was produced for review by the United States Agency for International Development. It was prepared by Lauren Mitten and Catherine Johnston for Development Alternatives, Inc.



# AMAP FINANCIAL SERVICES KNOWLEDGE GENERATION PROJECT

**CONTRACT NO. GEG-I-01-02-00011**

**Task Order no. 01**

**Quarterly Report #13: Year 4, Quarter 2**

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## I. INTRODUCTION

In September 2003, the Development Alternatives, Inc. (DAI) consortium was awarded one of the AMAP Financial Services Knowledge Generation task order contracts under the AMAP Microfinance IQC. The overall purpose of the project is to generate knowledge that will help move the microfinance field forward in its efforts to extend efficient, sustainable, and quality financial services to the poor. It is also expected that this new knowledge will help increase the capacity of EGAT/MD and its partner USAID missions to design and strengthen the implementation, monitoring, and evaluation of USAID-supported microfinance projects. This three-year effort will form part of an overall learning/management system that is intended to facilitate innovation and improvements to on-going projects and the development of new cutting-edge activities.

### DAI'S PARTNERS IN FKSG

- ACCION International
- Alternative Credit Technologies
- The SEEP Network
- IMCC
- J.E. Austin
- Ohio State University, Rural Finance Program
- Bannock Consulting
- ECIAfrica
- QED LLC

The AMAP Financial Services Knowledge Generation (FSKG) project is composed of three components:

1. Core knowledge generation component. The bulk of the effort falls into this component. Knowledge generation activities includes, but is not limited to: research, applied research, action research, technical services, conferences, seminars and other activities, all of which feed into USAID's core long term microenterprise learning agenda.
2. Short term technical services component. This component will include short term technical services and training activities specified by technical directions provided to DAI from the Office of Microenterprise Development (OMD). These short term activities will also feed the core knowledge/learning agenda, but will be based upon requests from OMD and emerge as "windows of opportunity."
3. Knowledge management/collaboration component. This component will allow each of the contractors to support knowledge generation, synthesis and cross fertilization within the financial services sector of AMAP as well as across the two other sectors, Enabling Environment and Business Development Services.

The original contract award funded Component 1 only, and totaled \$4,773,991. Components 2 and 3 were funded in February 2004, each with an additional \$300,000, bringing the current total budget to \$5,373,991. On June 21, 2005 a third obligation of \$945,625 was made, bringing the obligated amounts to \$2,965,625. Finally, on May 24, 2006 USAID made a fourth obligation, bringing the obligated total for the project to \$3,640,625. USAID decided the allocation of the new obligation among Components 1, 2 and 3 on February 12, 2007.



## II. STATUS OF COMPONENT ACTIVITIES: QUARTER 13

### A. PROJECT MANAGEMENT

**Summary of Progress:** The Project Management Team, composed of Project Director Lauren Mitten, Deputy Project Director Catherine Johnston, Project Associate Carmel Pryor, met weekly to coordinate project activities, including:

- Finalizing and gaining approval for subcontractor task orders;
- Finalizing and gaining approval for individuals to complete research under the project;
- Drafting, submission, review, revision and approvals for topic and sub-topic work plans;
- Managing research teams and moving research forward;
- Coordinating with USAID and other key donors engaged in similar research and applied research activities;
- Coordinating with the Knowledge Management contractor on key inputs to research formats, research branding, style and design, processes, etc.; and
- Communicating with the broader consortium about activities and updates.

Project activity coordination continued on each of the topics approved in years one and two. Table 1 contains a summary of current approval status for each research topics.

Work continued this quarter to advance knowledge management activities in coordination with other consortia (namely Chemonics) and with the USAID knowledge management contractor, QED. These activities are described in the Component 3 section below.

On April 27, 2006, DAI received notification from CTO Barry Lennon of the planned FY06 obligation of \$675,000 for the project. The notification included distribution of the research budget in response to DAI's Year 3 Workplan. The distribution of funds included the re-allocation of funds among research topics, in addition to the increases. DAI responded to this notification, informing USAID that there were several discrepancies between the funds required for previously approved workplans, and the revised allocation of funds reflected in the FY06 obligation. On February 12, 2007, DAI received approval from Ms. Nhu-An Tran, the new AMAP FSKG CTO, regarding the revised allocation of funds.

USAID modified the AMAP FSKG contract on May 24, 2006, increasing the total obligated amount by \$675,000 and extending the period of performance through September 29, 2008.

In January 2007, Colleen Green stepped down as Project Director. Lauren Mitten has assumed this role. Although DAI has received CTO concurrence for this change, we are awaiting formal USAID contracts approval.

**Budget Expended to Date:** Through second quarter of fiscal year 2007, DAI expended \$446,603 on project management labor and ODCs.

**TABLE 1: TOPIC AND LEVEL OF EFFORT APPROVALS TO DATE**

Topic	Days Approved 2004	Days Approved Contract	Status	Date Approved	Approved by	Form of Approval	Specific Activity Approved
Constraints and Potential of State Owned Retail Banks	125	250	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin under topic
Commercial Banks and MF Commercial Banks in MF MFI/Commercial Bank Linkages	187	315	approved	6/2/2005	Barry Lennon	Work plan approval dated 6/2/2005	Work to begin on two subtopics: Commercial Banks in Microfinance and Commercial Banks and MFI Linkages
Housing Products for Microfinance	22	300	approved	6/2/2005	Barry Lennon	Work plan approval dated 6/2/2005	The SOW was developed and approved by USAID.
HIV/AIDS Responsive Products	119	80	approved	6/2/2005	Barry Lennon	Work plan approval dated 6/2/2005	New SOW still pending
Defining Options	164	125	approved	6/2/2005	Barry Lennon	Work plan approval dated 6/2/2005	Work to begin on refining and delivering the Defining Options curriculum
Financial Standards Promotion	60	60	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin on Financial Standards Promotion Guide
Proving Microfinance Matters	150	150	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin on Proving Microfinance Matters
Rural and Agricultural Finance	20	360 (416 reallocated)	approved	3/3/2004	Barry Lennon	Email from 3/3/2004	Work plan Development
Rural and Agricultural Finance	4	360 (416 reallocated)	approved	6/9/2004	Barry Lennon/ Geoff Chalmers	Emails from 6/9/2004	Focus Note on ZATAC Investment Fund
Rural and Agricultural Finance	4	360 (416 reallocated)	pending				Focus Note on Rural Livelihoods; revision of concept required before approval will be granted
Rural and Agricultural Finance	332	360 (416 reallocated)	approved	10/28/2004	Barry Lennon	Email approval from 10/28/2004	Complete work as described in the Joint RAF Research Plan
Money Transfers and Remittances	119 (reallocated from 100 days)	100	approved	4/6/2/2005	Barry Lennon	Work plan approval dated 6/2/2005	Work to begin on the development of a Remittances Newsletter
MFI Guide to Technology	69	264	approved	6/2/2005	Barry Lennon	Work plan approval dated 6/2/2005	SOW for this activity was approved by USAID on 10/4/05
Credit Scoring	61	126	approved	6/2/2005	Barry Lennon	Work plan approval dated 6/2/2005	SOW for this activity was approved by USAID on 10/4/05

DCA Credit Enhancements	75	75	Approved	10/28/2004	Barry Lennon	Email approval from 10/28/2004	Work to begin on research work plan submitted August 2004
Private Debt Placements	55	55	Approved	10/28/2004	Barry Lennon	Email approval from 10/28/2004	Work plan to be revised; research to commence in 2005
The Role of Networks	75	75	approved	Activity Manager 3/19/2004, CTO 10/28/2004	Anicca Jansen, Barry Lennon	Jansen email from 3/19/2004; Lennon email approval from 10/28/2004	Work plan was revised and resubmitted; work to begin on the role of networks
<b>Technical Instructions</b>							
Defining Options	4.5	125	approved	10/8/2003	Barry Lennon	Technical Instruction Sent by Email	SEEP Conference-Sample of Defining Options course in October 2003
Rural and Agricultural Finance	7	7	approved	7/21/04	Lilly Villeda and Barry Lennon	Technical Instruction Sent by Email	From Component 3; to contribute review and insight into the development of the one-day BASIS Rural Finance Training Course
Financial Standards Promotion	15	15	approved	8/17/04	Barry Lennon	Technical Instruction Sent by Email	From Component 3 to provide additional LOE to complete the guide
Health and Microfinance	2	2	approved	1/28/05	Evelyn Stark, Barry Lennon	Technical Instruction Sent by Email	Approval of one day brainstorming session with the Poverty Office and Global Health plus one travel day for Michael McCord to discuss the link between health and microfinance
Creation of additional microNOTES for already approved topics	14	14	approved		Barry Lennon		From Component 3 to create new microNOTES on research already completed
Knowledge Management	87	87	pending	pending	Barry Lennon	Approval request sent by email on 12/1/05	From Component 3 to support the dissemination of AMAP FSKG research projects
MicroInsurance		48	Approved	6/13/2006	Barry Lennon	Email of 6/13/2006	From Component 2 for the production of 10 microNOTES and 2 speakers corners
<b>Project Management</b>	290	421	approved	6/2/2005	Barry Lennon in 2005 work plan approval	Task Order Contract	Project Management for Years One and Two



## B. COMPONENT ONE: KNOWLEDGE GENERATION

### THEME 1: INSTITUTIONAL AND INNOVATIVE MODELS FOR OUTREACH

#### ***Constraints and Potential of State-Owned Retail Banks***

**Summary of Progress:** There is no further work under this topic.

**Personnel Who Contributed to this Research:** The following individuals have been approved to contribute to this research activity:

Researcher	Firm/Organization	Job Category	Level
Robin Young, Research Leader	DAI	Microenterprise Research Specialist	I
Colleen Green	DAI	Microenterprise Research Specialist	I
Jay Dyer,	DAI	Financial Analyst	I
Zan Northrip	DAI	Financial Analyst	I
John Gutin	DAI	Microenterprise Research Specialist	III
Robert Vogel	IMCC	Microenterprise Research Specialist	I
James Hansen	IMCC	Microenterprise Research Specialist	I
Petronillo Casuga	IMCC	CCN	
Gilberto Llanto	IMCC	CCN	
Cerstin Sander	Bannock Consulting	TCN	
Anju Aggarwal	Bannock Consulting	TCN	
Gerhard Coetzee	ECIAfrica	TCN	
Gerda Piprek	ECIAfrica	TCN	
Phetsile Dlamini	ECIAfrica	TCN	
Neil Brislin	ECIAfrica	TCN	
Tillman Bruett	ACT	Microenterprise Research Specialist	I
Carlos Abreu	DAI	Microenterprise Research Specialist	II
Bassem Adly	DAI	TCN	

**Budget Expended to Date:** A total of \$194,521 has been expended for the SORBs topic through March 2007. This represents 100% of the total SORBs budget approved to date. Of the 125 days approved, a total of 215.7 days have been billed to the SORBs research activity. The difference in LOE is due to a reallocation of higher labor rate days to lower labor rate categories.

#### ***Commercial Banks and Commercial Bank/MFI Linkages***

Under the topic Commercial Banks in Microfinance, two of the three subtopics have been approved. These two approved topics are Commercial Banks in Microfinance and Commercial Bank/MFI Linkages.

#### ***Commercial Banks in Microfinance***

**Summary of Progress:** No work was completed in quarter 2 of fiscal year 2007 on the subtopic area Commercial Banks in Microfinance. There are still remaining funds, but no activities are currently being discussed with USAID.

**Personnel Who Contributed to this Research:** The following individuals have been approved for research on this activity:

Researcher	Firm/Organization	Job Category	Level
Robin Young, Research Leader	DAI	Microenterprise Research Specialist	I
Nancy Natilson	DAI	Microenterprise Research Specialist	I
Robert Dressen	DAI	Financial Analyst	I
Lynne Curran	ACCION International	Financial Analyst	I
Deborah Drake	ACCION International	Microenterprise Research Specialist	I
Cesar Lopez	ACCION International	Microenterprise Program Administrative Specialist	I

### *Commercial Bank/MFI Linkages*

**Summary of Progress:** Deborah Burand's work examining the various linkage agreements and developing both a checklist of questions to be considered in forming a strategic alliance with a bank (from the MFI perspective) as well as a guide on the types of clauses that an MFI should include in a well thought out linkage agreement was submitted to the CTO in May 2006. USAID and DAI are discussing whether or not to continue with this work.

DAI and USAID have started discussing using funding from this research topic area to conduct a savings study. The purpose of this study would be to find out the saving practices of poor in different areas of Andhra Pradesh and the North East of India. The initial research will focus on Andhra Pradesh, the epicentre of largely credit-driven microfinance in India, and based on results in Andhra Pradesh, a second activity will be carried in the North East of India, which remains largely unserved by microfinance institutions of any shape or form. The aim of this two-region study is to develop a better understanding of the available options to the poor, how they are using these options, what are the opportunities in these two different markets and how donors and other players can influence the sustainable and safe provision of savings services to this market. The research also aims to examine the expectations of poor with regards to saving services. The research will then examine the options, challenges and opportunities for financial institutions interested in delivering financial services to the poor in these two regions. DAI plans to engage MicroSave to participate in this research.

**Personnel Contributing to this Research:** The following individuals have been approved for research on this activity:

Researcher	Firm/Organization	Job Category	Level
Mary Miller, Research Leader	DAI	Financial Analyst	I
Colleen Green	DAI	Microenterprise Research Specialist	I
Hillary Miller	DAI	Microenterprise Research Specialist	II
Alexis Curtis	DAI	Microenterprise Research Specialist	III
Robin Bell	Bannock Consulting	Microenterprise Research Specialist	I
Ignacio Estevez	DAI	Microenterprise Research Specialist	I
Deborah Burand	DAI	Microenterprise Research Specialist	I

**Budget Expended to Date for both Commercial Bank Topics:** A total of \$194,240 has been expended for both subtopics through March 2007. This represents 58.7% of the total commercial banks in microfinance budget approved for FSKG. Of the 187 days approved for the commercial bank research, DAI has billed 141.1 days thus far.

## THEME 2: MARKET RESEARCH AND NEW PRODUCT DEVELOPMENT

### **Housing Products**

**Summary of Progress:** The final version of *MicroNote 26: Expanding Microfinance for Housing* was delivered to USAID, approved, and posted to microLINKS.

DAI worked closely with USAID to complete advance research on a wide variety of housing microfinance initiatives worldwide, in order to select a set of case studies that exemplify various methodologies for delivering housing microfinance. The following cases were short listed:

***UML, Uganda:*** This case study will examine a model of a successful MFI that made a strategic decision to enter the housing microfinance market, and completed product development, pilot testing, and roll out with good client uptake and strong growth of the housing portfolio. UML's product was piloted in 2004, and at the end of 2005, housing loans comprised over 10% of the total lending portfolio.

***Habitat for Humanity Vietnam:*** This case study will examine the model of partnerships between MFIs and housing NGOs. HFH currently partners with two microfinance organizations (Capital Aid Fund for the Employment of the Poor (CEP) in Ho Chi Minh City, and the Vietnam Women's Union in the Kien Giang province) and is in negotiations with others. HFH provided initial product development and ongoing construction/building technical assistance alongside financing. In its first 18 months these partnerships have reached 900 clients, and 2007 projections are to expand the outreach to 1,200 more.

***Shorebank/BMCE Partnership Morocco:*** This case study will examine the model of a commercial bank downscaling into housing lending to the poor, and establishing linkages with MFIs in order to increase success. Shorebank International is facilitating the development of housing lending to the poor by the commercial bank BMCE. The loans take advantage of a guarantee fund which is part of a Moroccan government initiative for slum upgrading. As of Oct 2006, the outstanding portfolio was \$33 million with 2000 loans. The program is now closing about 300 loans per month. BMCE is also negotiating a service company model partnership with Zakoura and Al Amana (MFIs). Both of these MFIs have small housing microfinance portfolios.

***Integral, El Salvador:*** This case study will examine the model of using remittances for housing lending. Integral has been in the housing lending market for almost 10 years, providing individual housing loans with or without construction technical assistance. Integral has recently introduced the use of remittances as part of underwriting for housing loans.

**National Cooperative Housing Union (NACHU) Kenya:** *This case study will examine the model of providing housing microfinance through a cooperative housing organization. This model is particularly important as the cooperative structure has been endorsed by the UN-HABITAT and the Government of Kenya as the best model for slum upgrading. NACHU is a technical services organization supporting primary housing cooperatives throughout Kenya. NACHU works with poor residents in low-income housing coops to provide a broad range of technical services aimed at providing a holistic approach to community building. NACHU's financial services include a variety of loan products: house improvement loans, new house construction loans, investment loans, resettlement loans and infrastructure loans.*

In addition to the cases listed above, USAID and DAI also engaged the Development Innovations Group in a discussion of the production of a “case study” that would look at a variety of examples of commercial bank participation in housing microfinance.

DAI developed a case study outline and a series of key questions for each of the themes that will be explored in the case studies:

- use of remittances (Integral El Salvador)
- partnerships with housing NGOs (HFH Vietnam)
- commercial bank linkages (Shorebank Morocco)
- good practice/lessons learned for MFIs developing and introducing housing products (UML Uganda)
- housing cooperatives (NACHU Kenya)

DAI contracted Amy Davis-Kruize to conduct the case study on HFH Vietnam, and Ms. Kruize departed for Vietnam on April 9. DAI continues to contact the institutions that have been selected in order to ensure their collaboration, and to consider potential research consultants.

DAI participated in the Housing Microfinance Roundtable sponsored by USAID as a precursor to the convening of the World Bank Housing Microfinance Secretariat.

**Personnel Contributing to this Research:** The following personnel have been approved for work on this topic:

Researcher	Firm/Organization	Job Category	Level
Nino Mesarina	ACCION	Microenterprise Research Specialist	I
Mery Solares	ACCION	TCN	
Sally Merrill	Urban Institute	Microenterprise Strategic Planning Specialist	I
Noah Fishman	Urban Institute	Microenterprise Research Specialist	III
Brooke Linkow	Urban Institute	Microenterprise Research Specialist	II

**Budget Expended to Date:** To date, \$23,050 has been expended on this topic and 23.4 days. This represents 17.1% of the budget.

## **HIV/AIDS Responsive Products and Services**

**Summary of Progress:** During the period, DAI, MEDA, and ECI finalized the deliverables (presentations and final report) associated with the HIV/AIDS mitigation work with four participating Mozambican MFIs—Banco Oportunidade, Male Yeru, Ophavela, Caixas das Mulheres de Nampula.

In November 2006, MEDA and DAI/ECI hosted the final learning event with the four MFIs on the lessons learned from undertaking the HIV/AIDS mitigation activities. The presentations, highlighting implementation objectives and key lessons learned, are now available through MicroLinks. DAI's publication's office is formatting and branding the final report, which will become available through MicroLinks soon.

During the period, DAI finalized two new scopes of work, approved by the USAID Activity Manager. Next period, DAI will deliver the Defining Options curriculum in Haiti, in collaboration with the USAID-funded Haiti MSME project. Drawing upon lessons learned from the HIV/AIDS and Microfinance action research in Mozambique, Haiti MSME will provide follow-on technical assistance to select Haitian MFIs to implement some of the intervention options outlined in the Defining Options training.

Also, work will soon begin on the approved HIV/AIDS and Microfinance MicroNOTE series. This series may include the following topics:

- Finding a Common Language: the Interaction of Health, HIV/AIDS and Microfinance
- Forming Strategic Alliances: the Linkages between MFIs and ASOs
- HIV/AIDS Workplace Programs for Microfinance Institutions
- Risk Mitigation Strategies for MFIs in High Prevalence AIDS Markets
- Market Research and AIDS: Finding out what's happening in your marketplace
- Products to Serve an AIDS Affected Market: Savings
- Products to Serve an AIDS Affected Market: Insurance
- The Role of Donors in Supporting HIV/AIDS Mitigation Efforts of MFIs

**Personnel Contributing to this Research:** The following personnel are contributing (or have contributed) to this research initiative.

<b>Researcher</b>	<b>Firm/Organization</b>	<b>Job Category</b>	<b>Level</b>
Colleen Green, Research Leader	DAI	Microenterprise Research Specialist	I
Anita Fiori de Abreu	DAI	Microenterprise Research Specialist	III
Lauren Mitten, Research Leader (new)	DAI	Microenterprise Research Specialist	II
Frances Bundred	ECI	TCN	
Dominique Browers	ECI	TCN	

**Budget Expended to Date:** To date, a total of \$64,215 has been spent on the topic as of March 31, 2007. To date only 39.5 days have been billed. This amount represents 29.8% of the total budget approved to date.

**THEME 3: PUSHING THE FRONTIER – RURAL AND AGRICULTURAL FINANCE**

***Rural and Agricultural Finance***

**Summary of Progress:**

**Hortifruti Case Study.** Posted to microLINKS

**Uganda Case Study.** Final version submitted to USAID for review and approval.

**RAFI Notes:** There are no RAFI notes currently under production.

The Activity Manager sponsored a meeting of several AMAP RAF consortium members to review the RAF Corpus and discuss next steps. Three topics which are of particular interest to DAI were discussed (see below) and it was agreed that DAI would follow up on these activities. In addition, a significant amount of discussion was devoted to the upcoming Mali RAF/Value Chain training/event. Unfortunately, DAI was ultimately not incorporated into the development of materials or the presentation of this training.

The DAI management team (Lauren Mitten, COP and Catherine Johnston, DCOP) met with the USAID CTO to discuss overall project management. During this discussion, the CTO affirmed that several of the ideas previously discussed with the Activity Manager were of interest to USAID and requested that SOWs be developed for the following activities:

- SEEP Write-Shop
- DCA/Loan guarantees for rural and agricultural finance
- Documentation of IGP learning

**Personnel Contributing to this Research:** The following individuals have been approved to work on the rural finance work plan.

<b>Researcher</b>	<b>Firm/Organization</b>	<b>Job Category</b>	<b>Level</b>
Catherine Johnston, Research Leader	DAI	Microenterprise Research Specialist	II
Colleen Green	DAI	Microenterprise Research Specialist	I
Hillary Miller Wise	DAI	Microenterprise Research Specialist	II
Zan Northrip	DAI	Financial Analyst	I
Jenny Pan	DAI	Microenterprise Research Specialist	II
Alexis Curtis	DAI	Microenterprise Research Specialist	III
Claudio Gonzalez-Vega	OSU	Microenterprise Research Specialist	I
Jorge Rodriguez-Meza	OSU	Microenterprise Research Specialist	III
Sarah Lowder	OSU	Microenterprise Research Specialist	III
Rodolfo Quiros	OSU	CCN	
Alejandro Canadas	OSU	Microenterprise Research Specialist	III
Richard Meyer	OSU	Microenterprise Research Specialist	I

**Budget Expended to Date:** To date, a total of \$210,779 has been expended through March 31,2007. This represents 55.1% of the total approved budget. A total of 193.3 days have been expended on rural and agricultural finance research.

**THEME 4: IMPROVING MICROFINANCE MANAGEMENT**

***MFI Guide to Technology***

**Summary of Progress:** During the quarter, the team finalized the survey report and submitted the report to MicroLinks for posting. In addition, the team edited the case study on cell phone and point of sale technology. This case study will become available through MicroLinks next quarter.

DAI met with a range of possible implementation partners, including CGAP, Sevak Solutions, Cyndeo, and Microsoft, to inform the AMAP FSKG research agenda for the remaining contract period. As a result of these meetings, DAI formulated a list of research options and discussed this options with the USAID Activity Manager.

Research Options discussed:

- Remittances project with Microsoft
- Cyndeo pilot implementation of POS/PDA solution
- Research on outsourced MIS solutions for MFIs (in conjunction with CGAP)
- MFI Technology “landscape” with Sevak Solutions

**Personnel Contributing to this Research:** The following personnel has been approved to work on this research activity. Alice Liu is the DAI research manager, coordinating with ACCION and other DAI researchers on a regular basis.

Researcher	Firm/Organization	Job Category	Level
John Cann	DAI	Microenterprise Research Specialist	I
Alice Liu, Research Manager	DAI	Microenterprise Research Specialist	II
Alexis Curtis	DAI	Microenterprise Research Specialist	III
Cynthia Canelas	DAI	Microenterprise Research Specialist	II
Susana Barton	ACCION	Microenterprise Research Specialist	I
Carlos del Busto	ACCION	TCN	
Billy Vera	ACCION	TCN	
Raul Gomez Velasquez	ACCION	TCN	
Deborah Drake	ACCION	Microenterprise Research Specialist	I
Rekha Reddy	ACCION	Microenterprise Research Specialist	II

**Budget Expended to Date:** As of March 31, 2007, DAI expended \$76,424 on this topic. This represents 60.3% of the approved budget. Of the 68 days of LOE approved, 110.5 days have been used to date. The overage in LOE is due to changes in staffing – lower level staff were approved to work on this project than initially anticipated.

## ***Disseminating the Defining Options Curriculum***

**Summary of Progress:** Work under this topic has been completed.

**Personnel Contributing to this Research:** The following individuals are approved to work on this research topic.

<b>Researcher</b>	<b>Firm/Organization</b>	<b>Job Category</b>	<b>Level</b>
Colleen Green, Research Leader	DAI	Microenterprise Research Specialist	I
Mary Miller	DAI	Microenterprise Research Specialist	I
Jenny Pan	DAI	Microenterprise Research Specialist	III
Frances (Fraser) Bundred	ECI	TCN	
Petronella Chigara	ECI	TCN	
Dominique Brouwers	ECI	TCN	
Tatiana Mata	ECI	TCN	

**Budget Expended to Date:** A total of \$218,297 have been expended through March 31, 2007. This represents 99.2% of the total funding approved for this project. Of the 163.5 days approved for this topic, 155.9 days have been billed to this research topic.

## ***Money Transfers and Remittances***

**Summary of Progress:** The newsletter team (Manuel Orozco, IAD, and Anna Lindley, DFID) produced the 10th issue of the newsletter. Articles included:

- o Worldwide Trends in International Remittances
- o Remittances and Financial Intermediation
- o Research Note: The Impact of Migrant Remittances on Human Capital Accumulation in Latin America and the Caribbean
- o Getting a Fair Deal? Consumer Issues with Remittance Services
- o Country Profile: Zimbabwe

April was Anna Lindley's last edition of the newsletter as she is moving on to conduct her post-doctoral work at Oxford. Manuel Orozco has identified Anna Ferro of DFID to replace her.

**Personnel Contributing to this Research:** The following personnel are approved for work on this topic. Note: not all staff approved are currently working on the topic.

<b>Researcher</b>	<b>Firm/Organization</b>	<b>Job Category</b>	<b>Level</b>
Manuel Orozco, Editor - CURRENT	InterAmerican Dialogue	Microenterprise Research Specialist	I
Maria Jaramillo- CURRENT	ACCION International	Microenterprise Research Specialist	II
Catherine Johnston – CURRENT	DAI	Microenterprise Research Specialist	II
Bryanna Millis – CURRENT	DAI	Microenterprise Research Specialist	II
Juliette Gelbard - CURRENT	DAI	Microenterprise Research Specialist	III

Anna Lindley – PAST	DFID		
Anke Wolfe, Editor – PAST	DFID		
Cerstin Sander, Editor - PAST	DFID and Bannock Consulting	TCN	
Anju Aggarwal – PAST	Bannock Consulting	TCN	
Enrique Mendizabal - PAST	Bannock Consulting	TCN	
Vicky Seymour – PAST	DFID	TCN	
Robert Vickers – PAST	DAI	Microenterprise Research Specialist	III
Sarah Berghorst – PAST	DAI	Microenterprise Research Specialist	III

Together with Manuel Orozco and Nhu-An Tran, we developed a work plan for the remaining 18 months of the contract to conduct research in the following areas:

- Understanding the U.S- Nigeria Remittances Corridor March-June 2007
- Household Survey/Analysis of Remittance Flows to Armenia March-October 2007
- Analysis of alternative payments in Mexico Third quarter 2007
- Good practices guidelines for household surveys 2008
- Lessons learned from MFI-remittances linkages 2008

Work has begun on the first of these activities, “Understanding the U.S.-Nigeria Remittances Corridor,” with Component 5, a US based survey conducted by the firm Protectora Holdings under a purchase order.

### **Understanding the U.S.-Nigeria Remittances Corridor**

International and domestic payments are important financial tools in Nigeria. However, little is known about their overall efficiency and potential for contributing to financial development. Although remittances are the second largest source of receipts in Nigeria, following oil revenue, little is known about the market environment in which the transfers take place or the impact these flows have on society. Specifically with regards to the market, the level of competition for outbound and inbound flows to Nigeria (that is, market competition in the United States and Nigeria) and how flows are transferred into the country are unknown.

Some questions on these issues include the following: First, who are the main competitors in the licensed business? What role do informal networks play in transfers? Second, what is the extent and efficiency of the domestic transfer network supporting inbound international payments? Third, are there alternative mechanisms that could enhance competition and efficient funds transfers?

A 2004 survey of Nigerians in New York using licensed remittance companies shows that Nigerians seem to remit through just a few MTOs. Also, although inbound flows arrive to multiple locations around the country, the majority of banking institutions (the only entity allowed to pay remittances) are based in Lagos, which is the end destination for only 20% of total flows. The efficiency of international transfers to the interior of the country is not known. Particularly, it is uncertain whether there exists a domestic transfer network among banks in remote areas, or whether a network extends to other financial institutions that act as remittance-payer subagents for banks. Moreover, the efficiency and timeliness of payments is not known.

We therefore propose to look into the extent of competition in the remittance market between the United States and Nigeria, the effectiveness and efficiency of remittance payments domestically outside Lagos and the possibility and feasibility of introducing alternative payment mechanisms.

*Research methodology:*

This research activity will include five components:

<p><u>Component 1. Analysis of competition in the U.S.-Nigeria corridor:</u> identifying players, transaction costs, payers of remittances and challenges to competition (regulatory environment, possible concentration of market share by few companies, informality, etc.). This component would identify alternative transfer mechanisms such as card or mobile phone based transfers from the U.S. to Nigeria through existing companies in the U.S., marketing these products while hooking them up with Nigerian phone companies such as Globo or Mnet, which would ensure the availability of transaction points beyond ATMs.</p>
<p><u>Component 2. Identify the extent of domestic transfer capabilities in Nigeria.</u> Specifically explore which are the constraints in facilitating domestic transfers, i.e. how efficient is the distribution network on the receiving side and how can it be improved through the use of technology (software platforms, pre-paid cards, mobile banking, etc.).</p>
<p><u>Component 3. Capacity of the banking and communication industries.</u> Interviews with 6-7 Nigerian banks, which are currently payers or could potentially be remittance payers, about their interest to compete in the market and/or adopt card based transfers or mobile phone transfers. Interviews with 6-7 MTOs (both already involved and potential interested to enter the market) about their capacity and willingness to introduce card based transfers</p>
<p><u>Component 4. Survey of consumers on the receiving side.</u></p> <p>This survey will be conducted through a Nigerian firm interviewing approximately 200 remittance receivers at point of receipt, such as <i>Moneygram</i> branches nationwide. Assess the feasibility of implementing mobile phone technology for money transfers in Nigeria. USAID is exploring DFID/Nigeria's interest in collaborating on the survey work in Nigeria.</p>
<p><u>Component 5. Survey of consumers on the sending side.</u></p> <p>This survey includes conducting a small survey of remitters (200) to understand the extent of the use of stored value cards and the possibility of adopting a remittance transfer card. The questionnaire instrument exists in draft form, so the time needed to conduct this component would be short and the cost would not exceed US\$3,000.</p> <p><i>Survey Methodology:</i> According to the Census PUMS 2000, the total number of immigrants from Nigeria for the states of New York (18,889) and New Jersey (8,389) is 27,278. Thus a sample of 200 subjects (<math>p = .73/1,000</math>) was used as representative for the planned estimations.</p> <p>The routes were designed taking account the neighborhoods and zip codes where we found the greatest density of nationals from Nigeria in a previous work (Annexed). The maps for the zip codes are found in <a href="http://factfinder.census.gov/home/saff/main.html?lang=en">http://factfinder.census.gov/home/saff/main.html? lang=en</a>.</p> <p>The subjects were selected randomly in public places around their preferred remittance agencies to ensure that they were active remittance senders. The interviewers wore ID badges from the National Money Transmitters Association (NMTA).</p> <p>Protectora delivered a spreadsheet containing the data for each survey to Manuel Orozco at the Inter-American Dialogue, where the data were organized. Manuel Orozco and Bryanna Millis will conduct analysis in late April/early May 2007.</p>

Approval for "Analysis of Remittances Flows to Armenia" is expected shortly, and a brief description of that activity follows:

### **Analysis of Remittances Flows to Armenia:**

In 2004, USAID/Armenia funded “Remittances in Armenia” study, which focused on analyzing the size, impact, and measures to enhance the remittances contribution to economic development of Armenia. The study covered Russia and five countries in Western Europe. Since this study did not cover remittances from the US, USAID/Armenia commissioned another study in 2006 to gather data on formal and informal remittances between the US and Armenia. This latter study focused on the Greater Los Angeles Metropolitan area, where the highest proportion of the Armenian diaspora resides, and did not look at the receiving side.

During February-April 2006, the Central Bank of Armenia (CBA) conducted a comprehensive survey financed by the World Bank. The survey consisted of two main parts – survey of 2000 households in Armenia who received remittances, and 2000 senders of remittances from Moscow. The CBA is currently in the process of developing a second national household survey and has requested USAID technical assistance with this activity.

USAID/Armenia and the CBA have requested the assistance of remittance expert Manuel Orozco on the design, implementation, and analysis of the household survey on remittances. The consultancy will take place between the period of March 2007 through October 2007. The consultant will make two trips to Armenia during this activity: the first trip is tentatively set for May 5-9, and the second trip is anticipated to take place in September/ October (dates TBC). The timing of the second trip will be dependent on the implementation schedule of the survey. Virtual technical assistance will also be provided throughout this period as appropriate and necessary.

**Budget Expended to Date:** To date, \$49,342 has been spent on activities under this topic.

### **Credit Scoring for Microfinance**

**Summary of Progress:** All research under this topic is complete.

**Personnel Contributing to this Research:** The following personnel have been approved to work on this research topic.

<b>Researcher</b>	<b>Firm/Organization</b>	<b>Job Category</b>	<b>Level</b>
Dean Caire	Bannock Consulting (DAI Europe)	Microenterprise Research Specialist	I
Jay Dyer	Bannock Consulting (DAI Europe)	Microenterprise Research Specialist	I
Susana Barton	ACCION	Microenterprise Research Specialist	I
Alexandra de Zubiria	ACCION	TCN	
Neil Brislin	ECIAfrica	TCN	
Frances (Fraser) Bundred	ECIAfrica	TCN	

**Budget Expended to Date:** DAI billed \$49,903 for this activity. Of the 61 days allocated for this research, a total of 50.1 have been billed to date.

### **Promotion of Financial Standards**

**Summary of Progress:** This research topic has been completed. All final deliverables have been posted on microLINKS.

**Personnel Contributing to this Research:** We have received approval for all personnel working on this topic:

Researcher	Firm/Organization	Job Category	Level
Till Bruett	ACT	Microenterprise Research Specialist	I
Dana Dekanter	SEEP Network	Microenterprise Research Specialist	I
Sharyn Tenn	SEEP Network	Microenterprise Research Specialist	II

In addition, members of the SEEP Financial Services Working Group provided volunteer time to the activity.

**Budget Expended to Date:** DAI has expended a total of \$129,261 for this topic. This represents 100% of the total approved budget. DAI billed 66.6 days of the approved 56.6 days.

#### THEME 5: GAINING ACCESS TO CAPITAL

##### *Private Debt Placements/Guarantee Research*

**Summary of Progress:** During the quarter, DAI and USAID met to discuss the future direction of the research under this topic and the related topic, DCA Credit Enhancements. Both parties agreed that these topics will be combined.

DAI is currently re-assessing the DCA/Private Debt Placement scope with USAID, which originally suggested two components: a) case study assessments of guaranteed and b) a handbook for USAID missions on guarantees and access to finance.

In terms of the case study research, we are discussing the possibility of writing case studies on:

- Grameen’s loan guarantee for a syndicated loan;
- Grameen’s loan guarantee for a private placement;
- OPIC’s guarantee for the Blue Orchard securitization;
- DCA guarantee for the Women’s World Banking Cali; and
- Citibank’s guarantee for the BRAC securitization.

If the case studies are approved, USAID is particularly interested in having them highlight preconditions or market characteristics that are needed to make guaranteed most appropriate and effective. Along the same lines, USAID also wants case studies to address whether initial guarantees increase MFI’s subsequent access to capital (i.e. do guarantees allow MFIs to prove themselves a credible investment, thereby negating the need for subsequent guarantees in order to access capital in local markets? Or are MFIs or MFI investment vehicles returning to ask for second and third guarantees?)

Given changing priorities, USAID and DAI are re-evaluating whether or not to pursue the handbook on guarantees and access to finance. On May 4, DAI and USAID will meet to decide how to proceed on this second component.

**Personnel Contributing to this Research:** The following individuals have been approved to contribute to this research.

Researcher	Firm/Organization	Job Category	Level
Mary Miller	DAI	Financial Analyst	I
Robert Dressen	DAI	Financial Analyst	I
Carlos Abreu, Research Leader	DAI	Financial Analyst	II
Till Bruett	SEEP Network	Financial Analyst	I
Andrew Ippini	DAI	Microenterprise Research Specialist	III

**Budget Expended to Date:** To date, a total of \$23,628 have been billed to this topic. This represents 19.7% of the total approved budget. 27.3 days of the approved 55 days have been billed thus far.

### ***DCA Credit Enhancements***

**Summary of Progress:** DAI finalized the Mexico and Morocco case studies. Both will be posted to MicroLINKS next quarter.

For other updates, see also the Private Debt Placements topic.

**Personnel Contributing to this Research:** The following individuals are expected to contribute to the research.

Researcher	Firm/Organization	Job Category	Level
Mary Miller, Research Leader	DAI	Microenterprise Research Specialist	I
John Jepsen	DAI	Microenterprise Research Specialist	II
Carlos Abreu	DAI	Microenterprise Research Specialist	II
Andrew Ippini	DAI	Microenterprise Research Specialist	III

**Budget Expended to Date:** A total of \$43,996 has been expended through March 31, 2007 towards the completion of the work plan. This represents 29.9% of the total approved for this topic. Of the 75 days approved, 56.8 days have been expended.

## **THEME 6: ENABLING ENVIRONMENT FOR MICROFINANCE**

### **Network Research**

**Summary of Progress:** Research under this topic has been completed. No other research is planned at this time.

**Personnel Contributing to this Research:** The following individuals have been approved to carry out the research under this topic.

<b>Researcher</b>	<b>Firm/Organization</b>	<b>Job Category</b>	<b>Level</b>
Sharyn Tenn	SEEP Network	Microenterprise Research Specialist	II
Patrick McAllister	SEEP Network	Microenterprise Legal and Regulatory Specialist	I

**Budget Expended to Date:** To date, \$96,073 have been expended through March 31, 2007. This represents 100% of the total approved budget. 61.1 days have also been expended.

### **Proving Microfinance Matters**

**Summary of Progress:** Work under this topic has been discontinued. The USAID CTO reallocated funding under this topic to other research topics.

**Personnel Contributing to this Research:** The following individuals have been submitted for approval to work on this topic.

<b>Researcher</b>	<b>Firm/Organization</b>	<b>Job Category</b>	<b>Level</b>
Colleen Green, interim research leader	DAI	Microenterprise Research Specialist	I
Zan Northrip	DAI	Financial Analyst	I
Jorge Rodriguez-Meza	OSU	Microenterprise Research Specialist	II
Claudio Gonzalez- Vega	OSU	Microenterprise Research Specialist	I
Lily Zandiapour	QED	Microenterprise Research Specialist	I
Pat Vondal	QED	Microenterprise Research Specialist	I
Ulrich (Rick) Ernst	DAI	Financial Analyst	I
Don Snodgrass	DAI	Microenterprise Research Specialist	I
TBD	DAI/SEEP/OSU	Microenterprise Research Specialist	I, III, I

**Budget Expended to Date:** DAI expended \$38,814 (or 100% of the new approved funded amount) and 37.5 days of level of effort.

### **Component 2: Technical Services**

Michael McCord continued to produce the Microinsurance Notes series. Microinsurance Note 3 was completed, approved, and posted. It provides an in-depth examination of the strengths and weaknesses of microfinance institutions as microinsurance intermediaries. MFIs, working directly with the low-income market, conducting financial transactions, managing financial controls, and

marketing specialized financial products, can be perfect intermediaries for insurers to reach the low-income market. This partner-agent model has significant potential for expanding microinsurance access to millions of low-income families. Today, at least 15 million low-income people are covered by some microinsurance product sold through partnerships with MFIs. This number is likely to expand dramatically as products and processes improve, and low-income consumers come to better appreciate the benefits of microinsurance.

Microinsurance Note 4 is under production. It will provide a guide to a successful microinsurance product development process. Microinsurance Notes 5 (life microinsurance), and 6 (health microinsurance) are scheduled for delivery in the next quarter.

**Budget Expended to Date:** As of March 31, 2007, DAI billed \$7,488 for this activity.

### ***Component 3: Knowledge Management and Dissemination***

There were no knowledge management activities that took place during this past quarter.

**Budget Expended to Date:** To date, a total of \$126,155 has been expended for knowledge management related activities as well as for other technical instructions that have been issued under this line item. This amount represents 50.5% of the total approved amount under Component 3. To date, 105.1 days have been billed to this component.

## **III. PROJECT EXPENDITURES**

The total project expenditures for Quarter 14 are provided in a separate attached spreadsheet accompanying this quarterly report. Project expenditures are broken out by Labor and Other Direct Costs (ODCs). A total of \$1,999,031 has been expended on this project through March 31, 2007. This represents 54.1% of the total work approved to date. Additionally, a total of 1,743.6 days have been expended on the project.