



USAID
FROM THE AMERICAN PEOPLE

AMAP FINANCIAL SERVICES KNOWLEDGE GENERATION PROJECT

Quarterly Report #16 : Year 5, Quarter 1

October 1 to December 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 #16: Year 5, Quarter 1

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.

TABLE OF CONTENTS

TABLE OF CONTENTS	II
I. INTRODUCTION	1
II. STATUS OF COMPONENT ACTIVITIES: QUARTER 13	3
A. PROJECT MANAGEMENT	3
B. COMPONENT ONE: KNOWLEDGE GENERATION	1
THEME 1: INSTITUTIONAL AND INNOVATIVE MODELS FOR OUTREACH	1
THEME 2: MARKET RESEARCH AND NEW PRODUCT DEVELOPMENT	3
THEME 3: PUSHING THE FRONTIER – RURAL AND AGRICULTURAL FINANCE	5
THEME 4: IMPROVING MICROFINANCE MANAGEMENT	7
THEME 5: GAINING ACCESS TO CAPITAL	13
THEME 6: ENABLING ENVIRONMENT FOR MICROFINANCE	14
C. COMPONENT TWO: SHORT TERM TECHNICAL SERVICES	
D. COMPONENT THREE: KNOWLEDGE MANAGEMENT	
III. PROJECT EXPENDITURES	17

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 effort will form part of an overall learning/management system 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 Donata Kane, 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;
- Developing the FSKG work plan covering the remaining contract period;
- 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.

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

Budget Expended to Date: Through first quarter of project year five, DAI expended \$478,576.51 on project management labor and ODCs out of an approved \$536,718.

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 \$194,521.00 has been expended for the SORBs topic through June 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: We did not complete work in quarter 1 of project year 5 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: USAID approved Deborah Burand’s SOW to continue Ms. Burand’s work on developing a guide for MFIs interested in forming strategic alliances with commercial banks. Ms. Burand has suggested expanding the scope to include: 1) a broad overview of developments in off-balance sheet financing techniques (and the drivers of those types of financings), 2) illustration of the partner/agency model as an example of an off-balance sheet financing technique for MFIs and also as a possible precursor to more sophisticated off-balance sheet financing techniques (like securitizations), and 3) development (and delivery) of a public presentation of the negotiation/documentation guide that can be used for microfinance audiences.

It is expected that Ms. Burand will complete the guide next quarter.

MicroSave will begin the savings study in India in January 2008.

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 \$195,504.69 has been expended for both subtopics through December 2007. \$135,477.31 remains under this topic and will be used to fund the savings research in India and the completion of Deb Burand’s work on linkages.

THEME 2: MARKET RESEARCH AND NEW PRODUCT DEVELOPMENT

Housing Products

Summary of Progress: DAI and USAID collaborated with research authors to develop final versions of the following research documents:

- Habitat for Humanity Vietnam: Partnering with MFIs to Improve Housing for the Poor (published to microLINKS)
- Housing Finance for the Poor: El Salvador (final submitted for approval)
- Housing for the Poor in Kenya: NACHU's Cooperative Approach (final submitted for approval)
- Housing Finance in Morocco: Programs, Policies, and Institutions (authors making final edits)
- Housing Finance in Morocco: Does it Work for the Poor (authors making final edits)
- Going to Scale in Housing Microfinance: The Role of Commercial Banks
- Maximizing Choices: Models and Challenges in Housing Microfinance (author making final edits)

The Housing Finance in Morocco papers required significant editorial work and additional inputs to move the papers from draft to final versions. Two additional days LOE were added for each of the two authors with USAID's approval.

In the next quarter, all documents will be completed, approved and published. A knowledge sharing event will be planned to include the ME Office and the Office of Urban Programs.

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
Amy Davis Kruize	ICA	Microenterprise Research Specialist	I
Joan Hall	ICA	Microenterprise Research Specialist	I
Richard Martin	ICA	TCN	
Ashna Mathema	ICA	Microenterprise Research Specialist	I
James Hokans	ICA	Microenterprise Research Specialist	I

Budget Expended to Date: To date, \$120,443.82 and 92.13 LOE days have been expended on this topic. \$14,556.18 remains.

HIV/AIDS Responsive Products and Services

Summary of Progress: USAID approved the first microNOTE in the HIV/AIDS and Microfinance MicroNOTE series. This NOTE is titled “Achieving a Common Understanding: What AIDS Support Organizations and Microfinance Institutions need to Know about Working in HIV/AIDS Prevalent Communities.” This NOTE is available through microLINKS.

Working together, AIDS Support Organizations (ASOs) and microfinance institutions (MFIs) can play an important role in mitigating the devastating effects of HIV/AIDS on poor households and communities. To form appropriate partnerships, ASOs and MFIs need to reach a common understanding. ASOs need to understand the basic objectives of microfinance as well as the drivers of MFI decision-making. Similarly, MFIs must understand how working in an HIV/AIDS prevalent environment affects their operations and their clients. Partnerships between MFIs and ASOs should draw upon the core competencies of both types of organizations. Speaking a common language means that MFIs and ASOs understand their own and each others strengths and limitations. This understanding allows each to focus on implementing activities that are appropriate and complementary to address the socio-economic challenges faced by HIV/AIDS-affected households and communities.

This microNOTE aims to create a common understanding between ASOs and MFIs by improving the information gap between these two types of organizations. This microNOTE examines the reasons that ASOs and MFIs are concerned about increased household vulnerability due to HIV/AIDS and explains the role that microfinance can play in addressing this vulnerability. It also defines key terms used in both the microfinance and the health services fields to ensure that both groups understand each others language. Finally, this microNOTE addresses but does not provide detailed description of the mechanisms for forming strategic partnerships between ASOs and MFIs, which will be the focus of the second microNOTE in this series.

A first draft of the second microNOTE has been completed and is currently being reviewed. Both the second and third NOTES in the series will be posted during the next quarter.

During the quarter, SEEP continued work on the creation of the HAMED online guide. The Web-design firm has completed the mock-up for the online guide and the SEEP consultants are in the process of editing and fact-checking the guide’s content. It is expected the online guide will be available by late January. SEEP will hold an Afterhours event in February to publicize the guide.

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

Researcher	Firm/Organization	Job Category	Level
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	
Mary McVay	SEEP	Microenterprise Research Specialist	I
Laura Van Vuuren	SEEP	Microenterprise Research Specialist	I

Budget Expended to Date: As of December 2007, \$99,648.76 has been expended on this research topic. \$116,135.24 remains for the completion of the microNOTE series.

THEME 3: PUSHING THE FRONTIER – RURAL AND AGRICULTURAL FINANCE

Rural and Agricultural Finance

Summary of Progress:

Uganda Case Study. Final Draft submitted to USAID.

DCA/Loan Guarantees for Rural and Agricultural Finance:

- The “Ideal Conditions for Warehousing Receipts Systems” paper, authored by Krassimir Kiriakov, was finalized and provided to USAID. This paper provides an input to the larger analysis of USAID’s support to the development of warehouse receipts systems in Kenya, Uganda and Zambia.
- The initial analysis of the development of warehouse receipts systems in Kenya, Uganda and Zambia was completed by Mary Miller and provided to USAID.
- Next steps include the review of both papers by USAID, the gathering of additional information from stakeholders in the three countries, and the organization of a conference call or other information exchange forum to distill key lessons learned and recommendations for future USAID programming.

Documentation of IGP Learning: A literature review, presentation of additional details on each of the four suggested case studies, and recommendations for future avenues for research was presented to USAID. Anicca Jansen and Thierry Van Bastellear of Save the Children (the international NGO associated with two of the suggested case study institutions) held a conference call to discuss key of interest and guidelines for moving forward. Anicca Jansen has suggested that DAI consider a “group learning” process which would bring together the four institutions to share information and lessons learned. Anicca Jansen will be contacted the other international NGOs (Developpement Desjardins and World Vision) to gauge their level of interest in collaboration.

Value Chain Finance Guidelines: A draft set of guidelines to incorporating finance into the value chain project cycle was prepared by DAI and presented to USAID. Along with other contractor inputs, these guidelines contributed to a draft paper developed by Anicca Jansen, which was distributed widely for comment. These guidelines and the paper will be tested through the Value Chain Finance Action Research described below, and by other members of the AMAP RAF group. A final version of the guidelines will then be published (estimate July 2008).

Value Chain Finance Action Research: USAID has requested DAI conduct action research within USAID field projects to incorporate the value chain finance guidelines into the existing value chain development activities, or the existing rural finance activities. Since this action research will provide direct support to field projects, DAI will request that scopes of work are approved to be funded under Component 2: Short Term Technical Assistance.

- **Kenya Access to Rural Finance (KARF):** DAI received approval for a scope of work funded under Component 2 that outlines a methodology for working with existing value chain oriented projects in Kenya. These projects are Kenya Business Development Services, Kenya Maize Development Program, Kenya Dairy Development Program, Kenya

Horticultural Program, and DFID Business Service Market Development Program. While on a TDY to Kenya for the KARF project (at no cost to FSKG) Catherine Johnston met with the USAID CTOs and COPs of each projects except for the COP of the Horticulture Project. She introduced the value chain finance guidelines draft discussed above, and requested information on the current upgrading strategies and activities that could benefit from technical assistance to address financial constraints. Although all projects (except the Horticultural Project) expressed interest, only the Kenya BDS Project provided any follow up information or communication. *Given the political and social instability in Kenya following the December 27 elections, it is difficult at this time to assess the potential for carrying out this work.*

- **Mexico AFIRMA:** The AFIRMA project focuses on increasing access to rural and agricultural finance, primarily through work with financial institutions (MFIs, NBFIs, credit unions). As part of their mandate, AFIRMA will be working to provide finance for upgrading in several agricultural value chains. This is an excellent opportunity to “test drive” a complete implementation of a value chain analysis that incorporates the finance guidelines.

The capacity to analyze and recommend upgrading strategies for the value chains is not currently available to the AFIRMA project. However, Geoff Chalmers (USAID CTO for the AFIRMA project) and Nathaneal Bourns have both been closely involved in USAID’s rural and agricultural finance work, including customizing and presenting the BASIS RAF training and reviewing the finance guidelines draft. Therefore, FSKG will contribute expertise in agricultural value chain development. AFIRMA staff will work closely with Catherine Johnston to incorporate the finance guidelines into the analysis, selection and implementation of upgrading strategies for the mango value chain. Nathaneal Bourns will draft a case study analyzing the strengths and weaknesses of the current draft guidelines, and assist in their revision.

Catherine Johnston and Nathaneal Bourns (RAF Component Manager of the AFIRMA project) submitted an initial draft scope of work to USAID. Nathaneal Bourns met with Anicca Jansen and Geoff Chalmers to discuss AFIRMA’s work and how FSKG might contribute. AFIRMA is currently completing revisions to the scope of work and will submit early next quarter.

- **Liberia Community Infrastructure Project (LCIP):** Anicca Jansen and Jeanne Downing of USAID, and Cynthia Mahoney (COP of LCIP) and Catherine Johnston (DAI) discussed the potential for FSKG to support value chain and value chain finance work in Liberia. At this time, there is little value chain upgrading activity, and little capacity among project staff to do this kind of work. Therefore, a training in either value chain development and/or rural and agricultural finance and/or value chain finance is suggested as the most appropriate activity. Unfortunately, LCIP staff were not able to attend the Value Chain Development workshop held in Egypt in December 2007. However, there was attendance by USAID Liberia staff that can provide a solid foundation for further discussions.

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

Researcher	Firm/Organization	Job Category	Level
Catherine Johnston, Research Leader	DAI	Microenterprise Research Specialist	II
Colleen Green	DAI	Microenterprise Research Specialist	I
Hillary Miller Wise	DAI	Microenterprise Research	II

		Specialist	
Zan Northrip	DAI	Financial Analyst	I
Jenny Pan	DAI	Microenterprise Research Specialist	II
Alexis Curtis	DAI	Microenterprise Research Specialist	III
Mary Miller	DAI	Microenterprise Research Specialist	I
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 \$234,903.50 has been expended. A total of 211.94 days have been expended on rural and agricultural finance research. \$147,705.50 remains to be expended.

THEME 4: IMPROVING MICROFINANCE MANAGEMENT

MFI Guide to Technology

Summary of Progress: During this quarter, Alice Liu and Tim Sparkman engaged in the following activities for the MFI Technology component:

- Finalized and received approval of the scope of work for the outsourcing research to produce case studies of US small banks that have outsourced their core banking MIS, to demonstrate the potential viability and cost/benefit for MFIs. These studies will detail the experiences and lessons learned of several small US banks and at least one US MFI that have decided to outsource their core banking management information systems, and will also include the results of in-depth interviews with at least one technology provider.
- Finalized and received approval of the outline for the case study
- Developed drafts of the deep interview questionnaires for the small banks and the vendors of core banking systems.
- Developed a list of candidate banks and vendors to interview.
- Through desk research, Tim Sparkman identified several reports evaluating core banking solutions for small banks, produced by financial industry research firms Aite and Celent. We began exploring the option to purchase one of the reports.
- On December 4, 2007, IBM and CARE announced a partnership to jointly establish an Africa Financial Grid built around a shared services and infrastructure model designed to help MFIs reduce operating costs, streamline lending processes, scale rapidly, and integrate with other resources such as credit bureaus, financial institutions and international payment networks. The CTO requested that we try to include this partnership in our case study. Alice Liu contacted a personal contact at IBM South Africa, Mteto Nyati, director of IBM Global Technology Services in South Africa, who identified the person charged with implementing this partnership, Michael

Jansen, Financial Services Sector Lead for Global Business Solutions (GBS), GBS Executive Partner, and is communicating with Mr. Jansen to set up a time for a conference call. The objective is to understand the goals, objectives, and the business case that led IBM and CARE to pursue this initiative.

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	I
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
Tim Sparkman	DAI	Microenterprise Research Specialist	III

Budget Expended to Date: As of December 2007, DAI expended \$100,049.90 on this topic. Of the 68 days of LOE approved, 107.78 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. \$26,665.10 remains under this topic.

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.

Researcher	Firm/Organization	Job Category	Level
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: DAI has expended a total of \$218,297. This represents 99.2% of the total funding approved for this project. Of the 163.5 days approved for this topic, DAI billed 155.9 days to this research topic.

The Missing Middle: Middle Management Training for MFIs

Summary of Progress:

During the period, the ILO signed its purchase order and completed the first microNOTE in the series of NOTES on middle management training for MFIs. This NOTE has been reviewed by both DAI and USAID. ILO will finalize the document, which will be posted on microLINKS early next quarter.

Also, during the period, DAI received USAID rate approval for QED proposed staff. Lucie Lamoureux, of QED, will meet with ILO in Turin in January to discuss ways in which the knowledge management efforts of QED (under this research topic) can support the dissemination of the ILO’s middle management training activities and curriculum.

Personnel Contributing to this Research: The following personnel are approved for work on this topic.

Researcher	Firm/Organization	Job Category	Level
Lauren Mitten, Research Manager	DAI	Microenterprise Research Specialist	II
Kristine Powers	QED	Microenterprise Research Specialist	I
Ecaterina Marshall	QED	Microenterprise Research Specialist	I
Lucie Lamoureux	QED	TCN	

Through the purchase order with ILO, the ILO will be providing a cadre of trainers.

Budget Expended to Date: To date, DAI has expended \$8,419.93 on this topic. \$389,491.49 remains. USAID approved the transfer of funds from the access to capital topic to this activity line budget.

Money Transfers and Remittances

Summary of Progress:

Newsletter

The newsletter team (Manuel Orozco, IAD, and Anna Ferro, DFID) completed the 12th issue of the newsletter, which was distributed in early November. The contents include:

- Worldwide Trends in International Remittances
- Remittances and Financial Intermediation
- Research Note: Are Diasporas a Partial Solution to Poverty Alleviation and National Development?
- Guest Article: Building Partnerships with Diaspora

- Organizations
- Events
- Country Profile: Cambodia
- Publications

Research

2007-2008 Workplan		
Understanding the U.S- Nigeria Remittances Corridor	April-October 2007	COMPLETED
Household Survey/Analysis of Remittance Flows to Armenia	March-January 2008	NEAR COMPLETION
Lessons learned from MFI-remittances linkages	3 rd quarter 2007, 1 st of 2008	UNDERWAY
Good practices guidelines for household surveys	2 nd -3 rd quarter 2008	NOT YET STARTED
Analysis of alternative payments in Mexico	TBD	UNDER REVISION

Household Survey/Analysis of Remittance Flows to Armenia

Manuel Orozco has finished his consultations with the mission and completed a draft report of recommendations. Armenia mission staff are reviewing the report and we expect it to be submitted before the end of January.

Lessons learned from MFI-remittances linkages: The objective of this research at the broadest level is to learn about the extent to which MFIs are paying remittances and obtain an understanding of how MFIs and related NBIs work to link remittances to access to other financial products. Furthermore, the research will distill lessons learned from USAID and other donor-funded programs linking MFIs to remittances receivers, reviewing the successes and challenges of several donor programs working on this area in an effort to distill important lessons learned and determine their replicability in future programs.

The following activities in this research area are underway

- 1) Phone interviews with 100 NBIs throughout the Americas: Manuel and IAD have completed these interviews.
- 2) AMUCSS and CPM: Mexico: Manuel will travel to Mexico in the second week of January to meet with CPM in Leon and AMUCSS in Puebla.
- 3) FAMA (Accion affiliate) in Nigaragua: Timing TBD
- 4) El Comercio, Paraguay: Timing TBS

Analysis of alternative payments in Mexico: This activity is being redesigned per Thomas Debass' instructions. In January Manuel will provide DAI with a concept paper and estimated LOE/budget outlining a new piece of work in Central America to replace this activity.

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

Researcher	Firm/Organization	Job Category	Level
Manuel Orozco, Editor - CURRENT	InterAmerican Dialogue	Microenterprise Research Specialist	I
Bryanna Millis – CURRENT	DAI	Microenterprise Research Specialist	II
Anna Ferro - CURRENT	DFID		
Maria Jaramillo- PAST	ACCION International	Microenterprise Research	II

		Specialist	
Juliette Gelbard - PAST	DAI	Microenterprise Research Specialist	III
Catherine Johnston – PAST	DAI	Microenterprise Research Specialist	II
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

Financial Update:

- DAI has requested a contract modification to raise the ceiling and add 22 days of LOE to IAD’s subcontract.
- Funding for the MFI remittances linkage research currently underway will be provided for by the STTA line item.

Budget Expended to Date:

\$143,627 has been expended through the life of the project and there is \$73,197 remaining.

DETAILED PROJECT DESCRIPTIONS FOR SELECT REMITTANCES ACTIVITIES

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.

MFI-Remittances Linkages

Throughout Central America and the Caribbean, remittances play a huge role in the economic stability and well being of as much or more than 25% of the populations of some countries. Meanwhile, in many of these locations the percentage of individuals with bank accounts remains in the single digits.

This reality highlights an opportunity to leverage MFIs participation in remittance payment, particularly when they have a good presence as payers. Efforts in this area have been ongoing for a number of years, and there are currently several USAID-funded programs aimed at linking MFIs to remittances recipients, by assisting institutions to develop new products aimed at this market and improve the degree to which recipients are “banked” through savings accounts and other banking services. This study will review the successes and challenges of several of these programs in an effort to distill important lessons learned and determine their replicability in future programs.

The objective of this research at the broadest level is to learn about the extent to which MFIs are paying remittances and obtain an understanding of how MFIs and related NBIs work to link remittances to access to other financial products. Furthermore, the research will distill lessons learned from USAID and other donor-funded programs linking MFIs to remittances receivers, reviewing the successes and challenges of several donor programs working on this area in an effort to distill important lessons learned and determine their replicability in future programs.

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.

Researcher	Firm/Organization	Job Category	Level
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: DAI and USAID combined the Private Debt Placements/Guarantee Research and DCA Credit Enhancements topics.

During the period, Brooke Jones, a DAI independent consultant, completed the first draft of the case study research on the DCA guaranteed for the Women’s World Banking Cali. USAID reviewed and commented upon the document, which Ms. Jones and Mary Miller are now revising. We expect to finalize and post on microLINKS next quarter.

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 Iappini	DAI	Microenterprise Research Specialist	III
Brooke Jones	DAI	Microenterprise Research Specialist	III

Budget Expended to Date: To date, a total of \$23,628 have been billed to this topic. No funds remain, as excess funds were transferred to the middle management topic.

DCA Credit Enhancements

Summary of Progress: DAI posted the Mexico DCA case study on MicroLINKS.

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 Iappini	DAI	Microenterprise Research Specialist	III

Budget Expended to Date: A total of \$44,996.33 has been expended through December 2007 towards the completion of the work plan. \$8,999.38 remains.

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.

Researcher	Firm/Organization	Job Category	Level
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 December 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.

Researcher	Firm/Organization	Job Category	Level
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

Two pieces of work have taken place under this component: The Microinsurance Notes series and Defining Options in Haiti. The Defining Options in Haiti activity is complete.

Microinsurance Notes Series:

Michael McCord continued to produce the Microinsurance Notes series. Microinsurance Note 8: Facilitating an Appropriate Regulatory and Supervisory Environment for Microinsurance was submitted in draft form. This note discusses how developing country regulators must manage increasing access, innovation and technological change while ensuring financial sector stability and consumer protection.

Work was also begun on The Future of Microinsurance paper. Inputs were solicited from a broad set of 17 industry leaders, responding to a set of questions emphasizing potential for massification:

1. What is the current and projected market for microinsurance and what are the opportunities for massification?
2. Cooperative, membership and community based models and their potential for massification
3. Commercial insurance and the potential for massification
4. Role of infrastructure and technology
5. Role of donors

The Speaker's Corner on Microinsurance was held on October 2-4. The areas of emphasis for each day were announced as:

- Day 1: Product development - What are the microinsurance products that are needed? What is the process we can use to develop products that are truly beneficial to everyone involved? This first day the discussion will focus on product development processes that ensure we are offering high quality products that meet real client demand.
- Day 2: Delivery channels - The second day will focus on innovation and efficiency of delivery channels for microinsurance products. We'll discuss such topics as how microfinance institutions can become more effective delivery channels and also take a broad view of other potential channels, from churches and trade unions to computers and cell phones.
- Day 3: Win-Win-Win solutions - We will continue the discussions of the first two days with a focus on creating win-win-win solutions for risk managers, delivery channels, and low-income policyholders.

76 participants registered for the event, and 29 participants contributed to the discussion. The site was viewed 604 times over the three day period. The site was held open for an additional day, as the moderator and QED felt that there was on-going discussion that would be valuable to continue. The summary of the discussion was posted to MicroLINKS in English and Spanish.

Budget Expended to Date: As of December 31, 2007, DAI billed \$83,416.86 for this activity, and expended 57.26 days LOE.

Component 3: Knowledge Management and Dissemination

During the first quarter of project year 5, Tim Sparkman began to play an active role in furthering the FSKG knowledge management agenda:

- Met with DCOP Catherine Johnston to coordinate the dissemination of FSKG materials, including a discussion on what has been done both in knowledge generation and dissemination, and a plan for going forward.
- Researched opportunities for disseminating State-Owned Retail Bank (SORB) research and worked with Robin Young to determine whether it was necessary to update the SORBs research before disseminating it.
- Researched opportunities for disseminating the Guide to Credit Scoring
- Created a list of university programs on microfinance and microenterprise development that may be a valuable audience for the research

In the next quarter, Tim Sparkman and Catherine Johnston will meet with USAID to seek inputs for new activities and seek approval for current dissemination strategies.

Budget Expended to Date: To date, a total of \$169,370.35 has been expended for knowledge management related activities as well as for other technical instructions that have been issued under this line item.

III. PROJECT EXPENDITURES

The total project expenditures for Quarter 16 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 \$2,429,675.77 has been expended on this project through December 31, 2007.