

FocusNote

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WHAT IS A NETWORK? THE DIVERSITY OF NETWORKS IN MICROFINANCE TODAY



This Focus Note analyzes the distinguishing features of 33 microfinance network support organizations (NSOs). Drawing on individual self-profiles, the Note differentiates their roles and identifies broad trends that characterize their organization and activities. Based on this descriptive analysis, the Note offers donors a list of questions that can be used to appraise networks for potential funding. CGAP is currently developing a network appraisal framework based on the research conducted for this Note, the principal aim of which is to help donors to assess the capacity and performance of NSOs and identify networks that share their development priorities.

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Introduction

Throughout the development of the microfinance industry, network support organizations (NSOs)¹ have played a critical role in launching new institutions, developing standards, wholesaling funds, providing technical services, implementing knowledge management, and leading policy reform efforts. Given their experience, NSOs can be an effective channel for donor microfinance. Donors with limited staff or technical capacity can leverage their funds by investing in well-managed networks. Such NSOs are often in a better position to provide microfinance institutions (MFIs) direct financial and technical assistance, to develop innovative products, and to advocate for policy change. Donors have found it difficult, however, to distinguish networks from one another because they encompass organizations that have as many differences as similarities.

To address this difficulty, the Consultative Group to Assist the Poor (CGAP) and the Small Enterprise Education and Promotion (SEEP) Network invited network leaders and donors to a workshop in October 2002 to discuss the roles and comparability of networks. Subsequent consultation through April 2003 led to the development of a Network Support Organization Profile. Thirty-three NSOs were asked to summarize basic organizational information and to place themselves along a series of spectrums intended to differentiate key dimensions of their operations, including partner type, services, funding, ownership and governance, and transparency.² Rather than classify NSOs into broad categories, the self-profiles seek to clarify how specifically the NSOs differ.

These networks range dramatically in size: they have from 4 to 177 partners and range from loose associations to organizations that provide intensive technical service and

¹ The term “network” is often used to refer to organizations, such as ACCIÓN, CASHPOR, INAFI, and CIDR, which can be considered both individual organizations and organizations that encompass a number of institutional partners. For the sake of clarity, when referring to these organizations individually, the term “network support organization” (or “NSO”) is used here throughout. The term “network” is used only to refer collectively to an NSO and its partners.

² See Annex 1 for a consolidated profile that combines the responses of all 33 NSOs. Individual network self-profiles can be found on the Microfinance Information eXchange (MIX) web site at www.themix.org. Not all NSOs responded to each item in the self-profiles, and as a result, the diagrams in this Focus Note do not always feature 33 organizations.



Table 1 Networks that Completed Self-Profiles

Network	Abbreviation	Web site
ACCIÓN International	ACCIÓN	www.accion.org
African Rural and Agricultural Credit Association	AFRACA	www.afraca.org
Africa Microfinance Network	AFMIN	www.afmin-ci.org
Banking with the Poor Network	BWTP	www.bwtp.org
CASHPOR (Credit and Savings for the Hard-Core Poor)	CASHPOR	www.cashpor.com
Catholic Relief Service	CRS	www.catholicrelief.org
Centre international de développement et de recherche	CIDR	cidr@compuserve.com
CERISE	CERISE	www.cerise-microfinance.org
Développement international Desjardins	DID	www.did.qc.ca
Ecumenical Church Loan Fund International	ECLOF	www.eclof.org
FINCA International	FINCA	www.villagebanking.org
Freedom from Hunger	FFH	www.ffhtechnical.org
Friends of Women's World Banking	FWWB	www.fwwbindia.org
Grameen Foundation	Grameen F	www.gfusa.org
Grameen Trust	Grameen T	www.grameen-info.org/grameen/gtrust
Groupe de recherche et d'échange technologique	GRET	www.gret.org
International Network of Alternative Financial Institutions	INAFI	www.inafi.org
Internationale Micro Investitionen AG/ Internationale Projekt Consult	IMI/IPC	www.imi-ag.de
Mennonite Economic Development Associates	MEDA	www.meda.org
Microfinance Centre for Eastern Europe and the New Independent States	MFC	www.mfc.org.pl
MicroFinance Network	MFN	www.mfnetwork.org
Opportunity International	Opportunity	www.opportunity.org
Profund	Profund	www.profundinternacional.com
Pro-Mujer	Pro-Mujer	www.promujer.org
Sa-Dhan	Sa-Dhan	www.sa-dahn.org
Save the Children	Save	www.savethechildren.org
ShoreCap International	ShoreCap	www.sbk.com
Small Enterprise Education and Promotion Network	SEEP	www.seepnetwork.org
Unitus	Unitus	www.unitus.com
World Savings Banks Institute	WSBI	www.savings-banks.com
Women's World Banking	WWB	www.womensworldbanking.org
<i>includes:</i>		
WWB Global Network for Banking Innovation in Microfinance	WWB-GNBI	www.swwb.org/English/1000/gnbi/index.htm
World Council of Credit Unions	WOCCU	www.woccu.org
World Vision	World Vision	www.worldvision.org

ownership. NSOs employ from 1 to 1,755 dedicated microfinance staff. Together, they represent a significant volume of global contemporary microfinance operations. CGAP chose not to analyze the number of clients served by NSOs and their MFI partners because the number above is meaningless without understanding the level of engagement and crossover between NSOs and their partners.

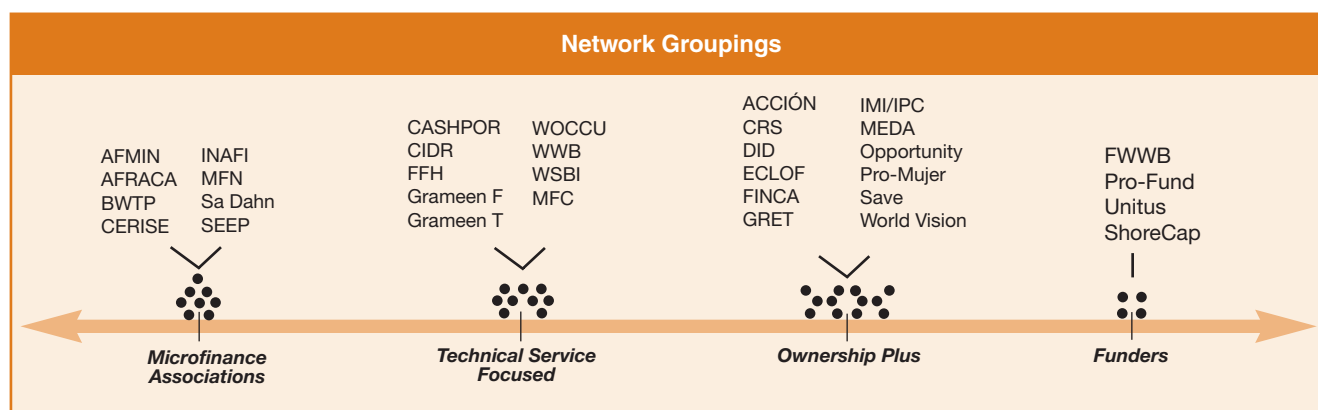
While the profiles reveal similarities and trends among NSOs, the main finding is the huge diversity among NSOs. Level of engagement with MFI partners is the key distinguishing feature, ranging from building new institutions to strengthening weaker institutions to affiliating with leading institutions. Other significant features include level of governance and ownership, geographic focus, and services offered.

NSO Characteristics

Broadly speaking, microfinance NSOs facilitate links and provide support to organizations that are committed to delivering financial services for the poor. They differ in objectives, their scope of work, relationships with partners, and services they offer.

NSO Groupings

NSOs were asked to classify themselves into one of four broad groupings, shown in Figure 1.

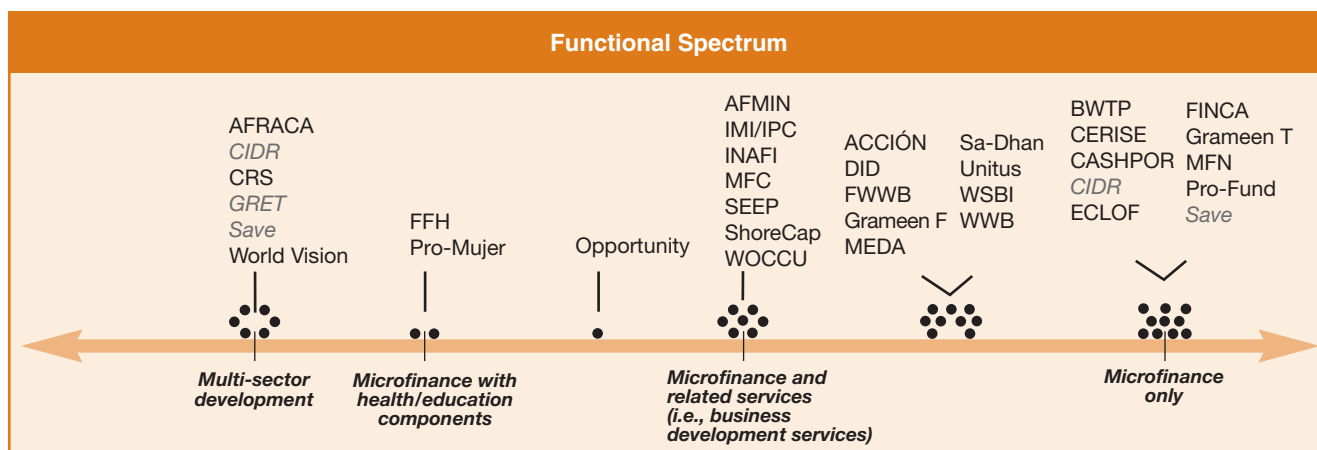


- **Microfinance association NSOs** oversee peer group or membership organizations that join together for a common cause. Microfinance associations can be national, regional, or international in scope, and are sometimes referred to as lateral learning networks. Microfinance association NSOs provide no governance and have no ownership stake in their members.
- **Technical service-focused NSOs** provide technical assistance to their partners. They are typically not represented on the partners' boards of directors, or are limited to an *ex-officio* role with no ownership stake.
- **Ownership-plus NSOs** own a minority, majority, or 100 percent of some or all of their partners, including fully-owned partners that are launched by the NSO itself. Ownership-plus NSOs also often provide other services, especially technical services.
- **Funding NSOs** are primarily investor and apex funds that generally invest in their partners on a social or commercial basis through loans and equity investments.

While these categories identify broad differences among the 33 NSOs and their networks, they are nevertheless very rough groupings and do not neatly capture or distinguish network characteristics and activities. They are thus not the sole basis of the analysis that follows.

Functional Scope

The functional scope of NSOs ranges from multi-sector development organizations to organizations focused specifically on microfinance (see figure below).



* Grey italics are used in the graphs to show networks that fall into more than one category.

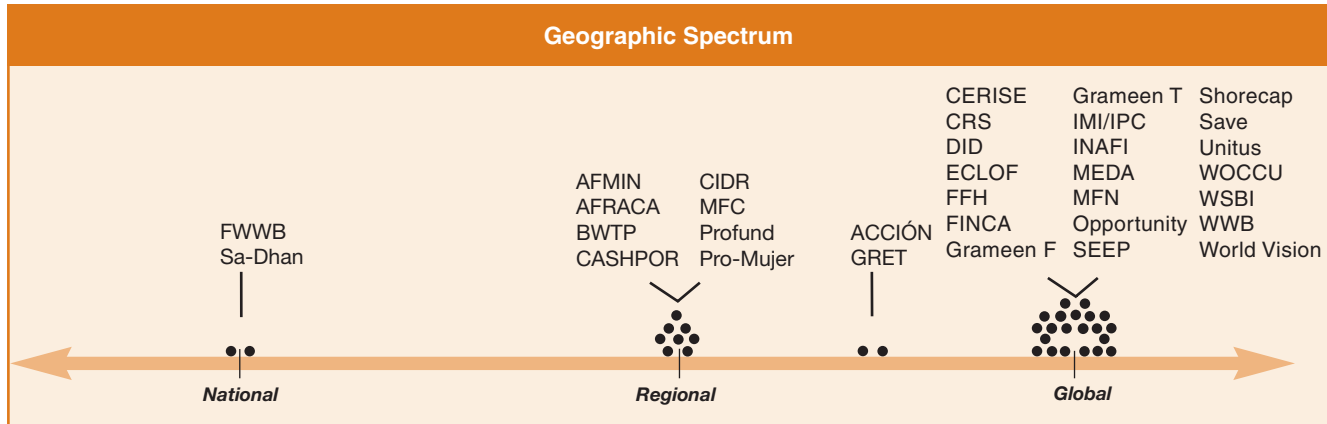
Microfinance is the primary activity of most NSOs. However, more than half of the 33 organizations described here also offer related services, such as business development or complementary services in health and education. Five networks identify themselves as multi-sector organizations. Catholic Relief Services (CRS), for example, works in microfinance, agriculture, community health, education, emergency response, HIV/AIDS, and other development sectors.

Geographic Focus

One of the more obvious distinctions among NSOs and their networks is their geographic focus: national, regional, or global. This Note purposely does not include the more than 60 NSOs of existing national networks and associations, which vary in size, experience, and quality. Although these NSOs play an important role in policy advocacy, knowledge management, and technical exchange, they have already been analyzed by SEEP, Women's World Banking (WWB), and the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ).³ In order to demonstrate the complementary roles of national, regional, and international NSOs and their networks, however, one national microfinance association network (Sa-Dhan) and one national funding NSO (FWWB), both in India, were asked to profile themselves for this paper (see Box 1, "One MFI, Multiple Networks").

Regional associations, such as AFMIN, focus on a specific geographic area, but its partners represent a wide scope of institutional types and microfinance methodologies. Global associations often unite behind a common

³For more information, please refer to these organizations' websites: www.seepnetwork.org, www.womensworldbanking.org, and www.gtz.de/english/. A working group supported by GTZ and led by SEEP is currently developing donor guidelines to support national microfinance associations.

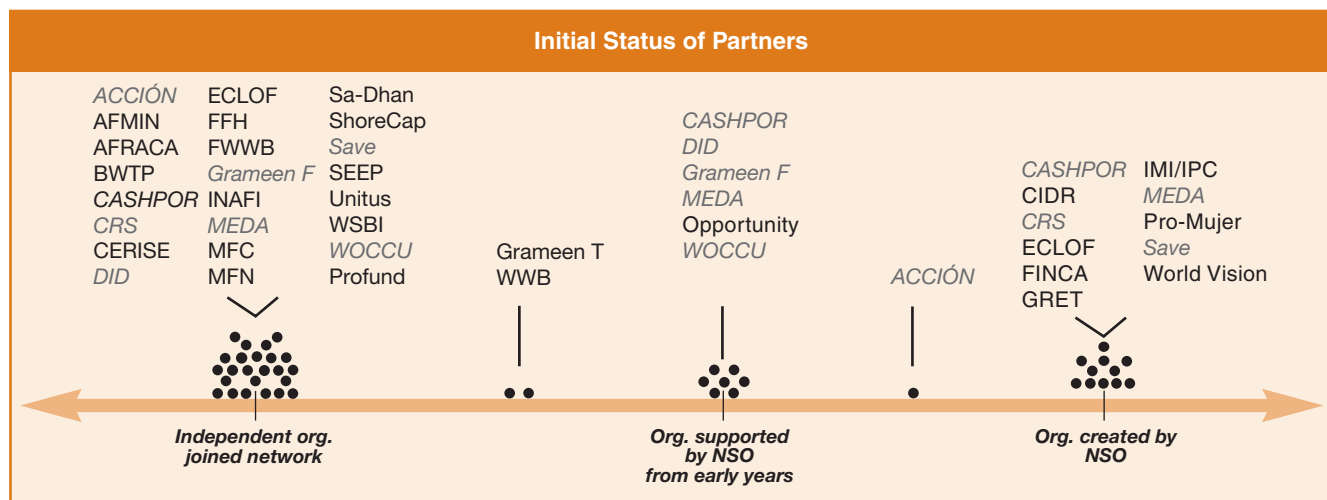


purpose or promote a particular mission, such as the International Network of Alternative Financial Institutions (INAFI), a global network of MFI practitioners with a strong poverty focus. Many of the global NSOs profiled in this paper started as regional NSOs and then expanded to other regions. ACCIÓN, for example, began in Latin America and then expanded to Africa.

Initial Status of Network Partners

NSOs add value to their partners at all stages of their development, helping to build stronger financial institutions for the global industry. Some NSOs specialize in launching new institutions; others focus on strengthening existing small or young institutions. Often the earlier a partner joins a network, the deeper is the NSO's involvement in the partner, and the more value it adds.

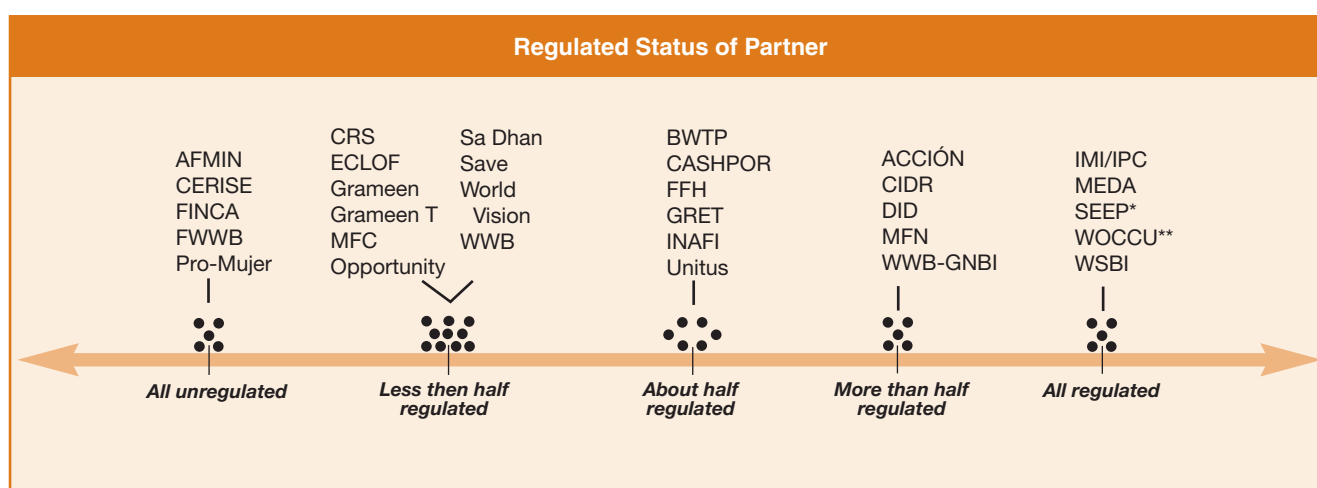
One of the major distinguishing features among NSOs is their depth of involvement with MFI partners. The figure below shows the status of partners when they first joined a network. It makes a distinction between fully independent institutions, partners supported by an NSO from their early years (e.g., the NSO has significantly supported their partner's development, but did not establish them), and partners created by NSOs. Nine NSOs currently support partners at several stages of development and consequently appear in several categories in the diagram.



All microfinance association and funding NSOs work with partners who joined the networks as independent organizations. Technical service NSOs are split between independent partners and partners in the early stages of their development. Ownership-plus NSOs tend to be split between those that create partners and those that develop young institutions—an illustration of their tendency to be more involved in the development of their partners.

Partner Legal Status

As shown in the figure below, network partners range from organizations that are 100 percent regulated to 100 percent unregulated. Networks are often comprised of a variety of institutional types, depending on the microfinance methodology, stage of development, and regulatory framework of their partners. Partner “types” include non-governmental organizations (NGOs), cooperatives, non-bank financial institutions, and banks.



* SEEP members must be registered as an NGO classified as 501(c)3 status under the tax laws.

** All WOCCU partners are regulated, although many are not regulated by a formal financial regulator but by another agency, such as a ministry of cooperatives.

As network partners grow and develop, it is common for them to establish more formal institutional structures to better serve their clients (i.e., they commercialize). These structures can nevertheless vary. In the case of Save the Children, almost all of its network partners began as projects of their local office, but later took on diverse institutional forms.

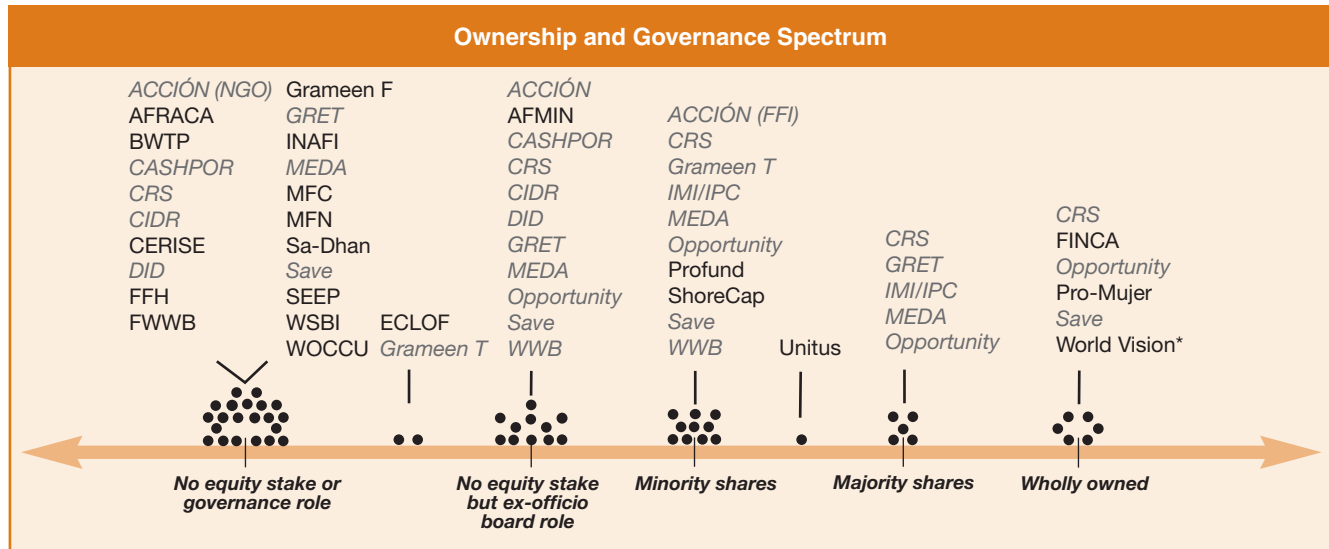
Some networks are by definition limited to a specific institutional type, such as WSBI, whose partners are all savings and retail banks. Other NSOs encourage their partners to become regulated financial institutions. ACCIÓN, for example, aims for all of its partners to become regulated formal financial institutions.

Network partners can differ in both institutional type and regulated status. WWB, for example, has two major categories of partners: 1) affiliates and associates of WWB, and 2) partners of the WWB Global Network for Banking Innovation in Microfinance (WWB-GNBI). Approximately 80 percent of the first category (affiliates and associates) are unregulated NGOs, while the second category includes regulated and unregulated institutions: cooperatives, non-bank financial institutions, and banks.

NSO Role in Ownership and Governance

NSOs differ in their approaches to ownership, governance, and control of partners. Ownership and governance roles have also changed over the past decade due to the transformation of many microfinance projects and NGOs into licensed financial institutions, complete with shareholder equity. Microfinance associations play no governance role in their partners nor do they have an ownership stake. Many other networks, however, are seeking greater control of partners by taking equity positions and playing more active, formal roles in their governance.

Fourteen NSOs (ACCIÓN, CASHPOR, CIDR, CRS, CERISE, DID, Grameen Foundation, Grameen Trust, GRET, IMI/IPC, MEDA, Opportunity International, Save, and WWB) currently employ multiple ownership and governance models. ACCIÓN, for example, holds minority equity positions in partners that are formal financial institutions, but cannot hold equity in NGO partners, given their institutional status.



* World Vision either fully owns its partners or exercises full board control.

Of the ten NSOs that hold minority positions in partner organizations, two (Profund and ShoreCap) specialize exclusively in taking minority positions, consistent with their status as time-bound investment funds. Unitus, another investment NSO, falls between owning minority and majority shares in its partners.

Of the six NSOs that own partners, only Pro-Mujer and FINCA hold full ownership in their partners, which are subsidiaries in the legal, financial, and operational sense.

Despite the trend toward greater ownership of partners, two-thirds of the networks have no equity stake or governance role in some partners. Certain networks, such as DID, hold no equity stake whatever in their partners, but still play a significant role in their governance.

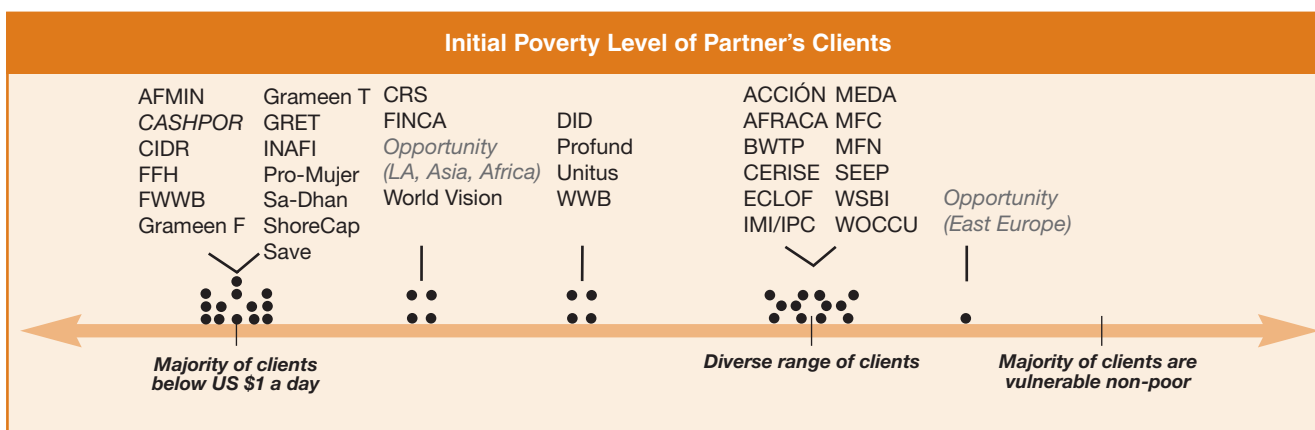
Partner Involvement in NSO Governance

Partner membership on NSO boards varies. A minority of NSOs have at least one partner represented on their board, but nearly half have no partner representation at all. For the Microfinance Centre, partners comprise 70

percent of its board. AFRACA, CERISE, MFN, Sa-Dahn, SEEP, and WSBI are membership organizations run by their partners. AFMIN, INAFI, and ProFund, ask partners to vote for board representatives.

Initial Poverty Level of Partners' Clients

The poverty levels of partner clients and the methods used by partners to target and reach these clients vary considerably.



In 11 networks, the majority of partner clients are in the category of “below US \$1 a day.” The “Credit with Education” product of FFH, for example, explicitly targets this clientele. In microfinance associations, however, an overwhelming number of partner clients belong to the broader category of “diverse range of clients,” which reflects the diverse membership of these associations.

Opportunity International (Opportunity) categorized the majority of its partner clients just above the “US \$1 a day” category. But for its programs in Eastern Europe, Opportunity placed partner clients between the categories of “diverse range of clients” and the “vulnerable non-poor” because its partners in the region serve clients from a broad economic base and offer larger loans than do Opportunity partners in other parts of the world.

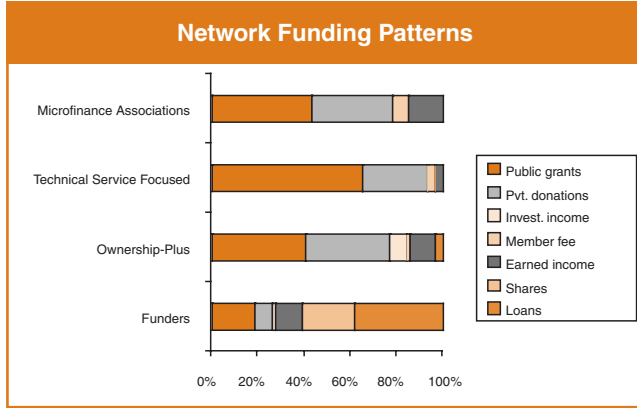
In general, networks comprised of more regulated partners (see figure “Regulated Status of Partner,” p. 6) were more likely to fall closer to the category of “diverse range of clients,” while those unregulated partners were more likely to fall closer to the point “majority of clients below US \$1 a day.”

Sources of NSO Funding

NSO funding strategies are diverse. However, funding patterns tend to be broadly similar within the four broad groupings illustrated in the figure below.

Public and private donors are the primary sources of funds for all NSO types except funding NSOs.⁴ As the global microfinance industry moves toward commercialization, however, funding derived from membership fees, earned income, shares, and loans are expected to grow in importance. Membership

⁴The term “public donors” refers to multilateral, bilateral, and national government agencies, while “private donors” are private foundations, institutions, and individuals.



* The bars represent the simple average of all networks belonging to each broad grouping.

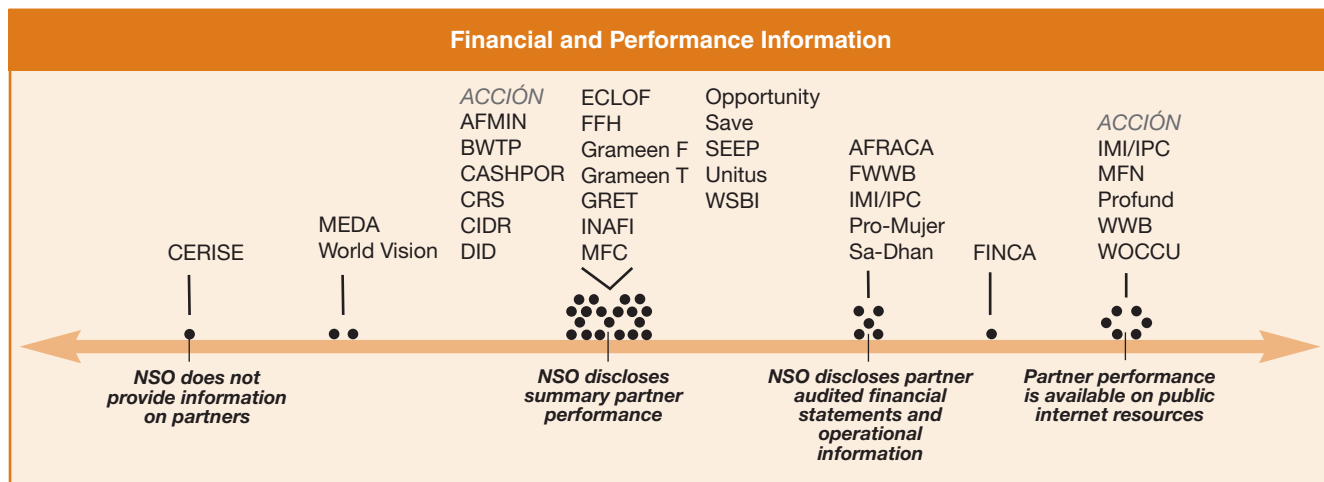
fees as a percentage of total NSO funding are highest among microfinance associations, where they range from 2 to 20 percent of total funding.

Ownership-plus NSOs tend to have the most diverse funding sources, although commercial funds generally represent a greater percentage of their funding base. Those that are multi-sector organizations, such as Save the Children and World Vision, tend to have a higher concentration of donations from privateresources, often relying on faith-based donations and/or child sponsorship.

Transparency

Financial and Outreach Information on Partners

NSOs are beginning to focus on financial transparency, and NSOs that collect reliable operational data on the performance of partners add tremendous value to the industry. Moreover, this information helps the NSO target appropriate services to their MFI partners. Many NSOs post partner information on the Microfinance Information eXchange (www.mixmarket.org), on their own web sites, and/or report to the *MicroBanking Bulletin*, a benchmarking tool for the microfinance industry. Most NSOs are working to improve their internal information systems and are moving toward wider public disclosure (see figure below). However, the majority of NSOs disclose only summary information on their partners.



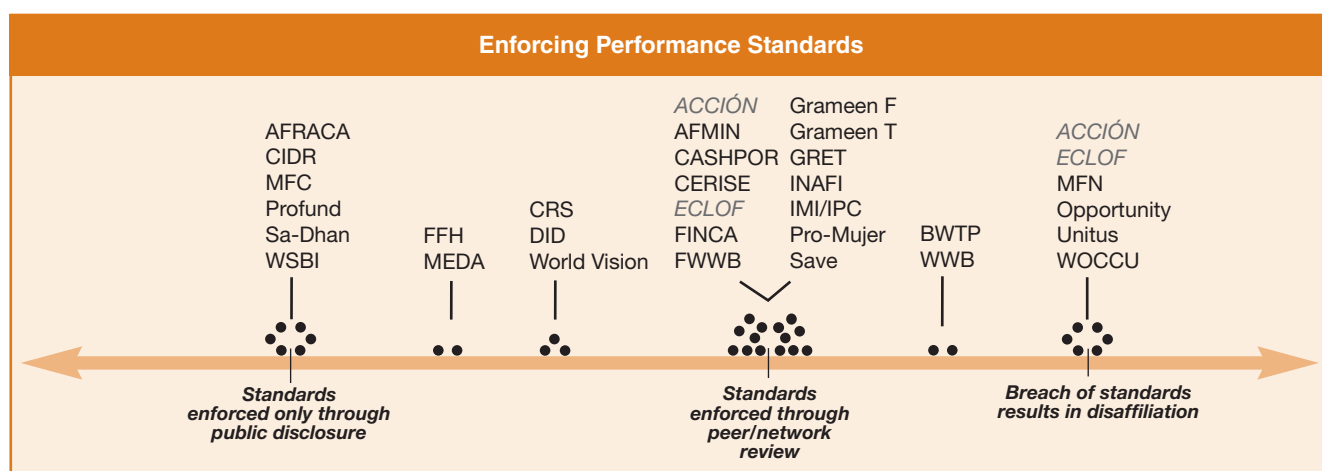
Six NSOs posted partner information on public web sites, including NSO sites and the MIX Market. One of the NSOs surveyed, the MicroFinance Network, has a central focus on financial transparency: its partners provide data to the *MicroBanking Bulletin* and authorize the posting of their adjusted financial information on www.mfnetwork.org.

FINCA, Pro-Mujer, and Save consolidate the financial and operational results of their partners into the financial reporting of the NSO itself. FINCA's financial reporting consolidates all country programs, which are reflected as branches of one international organization.

Performance Standards

NSOs can play an important role in promoting MFI performance standards, thus setting an example for the industry. The majority of participating NSOs report that they set standards for their partners, such as membership criteria and minimum performance standards. In some networks, the NSO itself drives standards, in others the partners themselves take the lead in developing standards.

Public disclosure of partner performance can be an effective way to hold partners accountable for meeting standards. Profund, for example, finds public disclosure sufficient to enforce performance standards.



Eight NSOs use partner performance as a basis (or a partial basis) for disaffiliation. Opportunity implemented an accreditation process in 1999 that included a mechanism to disaffiliate partners that did not meet network standards over a specified period of time. It has since disaffiliated three partners.

Services

NSOs offer a wide array of service to their partners, including financial services, technical services, knowledge management, research and development, and policy advocacy. An NSO's mission, expertise, and funding—combined with a partner's stage of development—determines the type of services offered and the value added by the NSO to the partner's growth and development. Some microfinance institutions choose to affiliate with more than one NSO to gain access to different types of services (see Box 1).

Financial Services

Financial services are broadly defined as any instrument that funnels financial resources from NSOs to their partners, such as grants, loans, guarantees, and equity funding. Access to financial resources is, in fact, one of the primary reasons that partners affiliate with an NSO. Among the networks, Grameen Trust spends the highest percentage of its time (72 percent of total effort) on mobilizing financial resources for its partners.

Box 1 One MFI, Multiple Networks

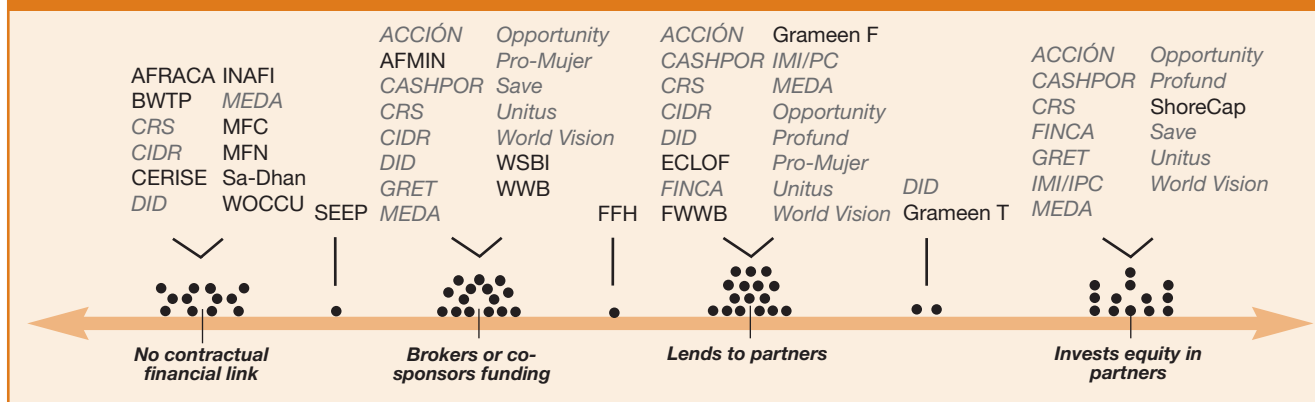
Given the different and sometimes complementary roles that networks play, it is common for a microfinance institution (MFI) to be a member of more than one network. Often, each network offers a different service or added value to the MFI. SHARE Microfinance, Ltd., of India belongs to seven networks that submitted self-profiles for this study, including two national networks, one regional network, and four international networks.

Microfinance association networks. As a primary member of Sa-Dhan, a national microfinance association, SHARE works with other MFIs in India to build the microfinance sector through industry dialogue and policy advocacy. SHARE's membership in the MicroFinance Network, an international association, allows it to share best practices with CEOs from top global MFIs while bolstering its own reputation as a leading Indian MFI.

Technical service-focused networks. CASHPOR and Women's World Banking (WWB) provide SHARE privileged access to technical services. Both NSOs also facilitate lateral learning among their partners and help market their successes. CASHPOR provides an opportunity for SHARE to exchange experiences with other Grameen replicators in Asia, while WWB gives SHARE exposure to microfinance innovations and products on a global level.

Funding networks. The most obvious advantage of SHARE's membership in three funding networks is access to favorable on-lending products. Both the Grameen Trust and the Grameen Foundation offer their partners longer-term loans and lower rates than do commercial sources. FWWB, a national funding NSO in India, does not offer low interest rates, but does provide quick and easy access to bridge loans for big partners like SHARE.

NSO Financial Services Spectrum



Most NSOs invest or lend to partners, about half help partners broker funding from other funders and the rest, mainly the associate networks, provide no financing.

As the trend towards the commercialization of MFIs grows, more NSOs are purchasing equity shares in their partners or creating investment funds with private and public investors. Examples include ACCIÓN Investments in Microfinance, MEDA's Sarona Global Investment Fund, and Opportunity Transformation Investments.

Technical Services

Technical services are one of the most important services that NSOs provide.⁵ NSOs differ in the amount of effort they devote to technical services, such as in-house technical advice, training, and system

⁵ Given the importance of technical services, SEEP developed "The 7 C's for Improving Technical Service Delivery to Microfinance Institutions" in 2003.

implementation. DID, for example, reported that it allocated 75 percent of its own effort to technical services—more than any other NSO.⁶ On the other end of the spectrum, two NSOs (CERISE and Profund) provided no technical services to their partners. On average, NSOs devoted approximately 35 percent of their effort to technical services.

As an indication of how NSOs focus their services, Table 2 highlights which NSO(s) devoted the highest percentage of their efforts to the different categories of technical services included in the self-profiles. For information on how each network allocates their efforts, refer to the individual self-profiles available at www.themix.org.

Table 2 Focus of Technical Services		
<i>Technical Service Category</i>	<i>NSOs with Highest Percentage of Effort for the Category</i>	<i>Percentage of Effort (self-reported)</i>
Institutional start-up	CASHPOR, Pro-Mujer	40
Institutional transformation	CRS, FINCA	15
Product development and rollout	FFH	45
Human resources development	AFMIN	40
Information technology	Opportunity	30
Strategic planning	INAFI	30
Financial analysis and rating	MFC	32

The focus on technical services differs among NSOs. Pro-Mujer, an NSO that began as one MFI, focuses on institutional start-up services (40 percent of total effort). FFH offers many types of technical services to its partners, but concentrates its efforts on product development and specializes in its own “Credit with Education” product. In contrast, CRS offers a range of technical services, with its percentage of effort distributed fairly evenly among them.

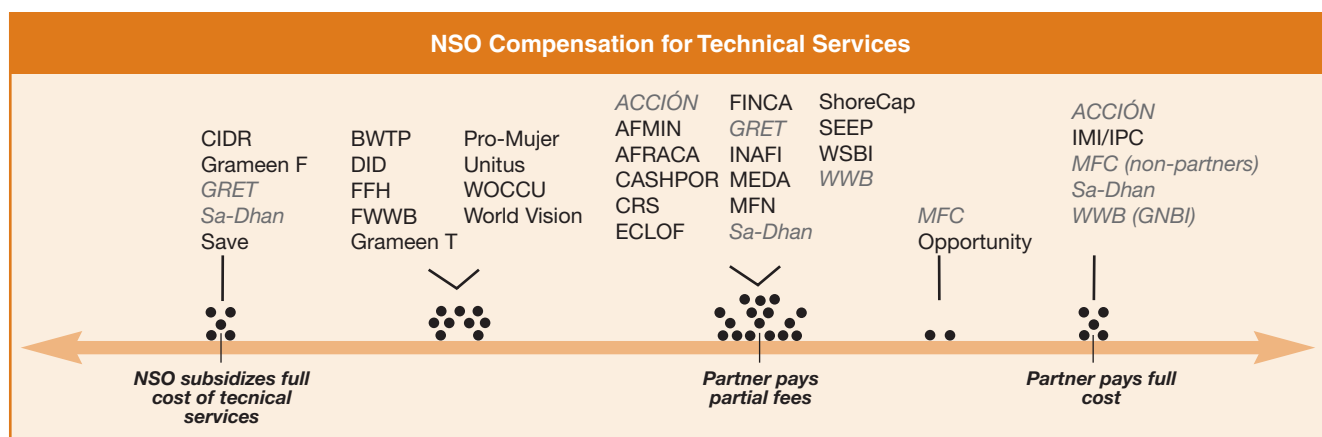
Compensation is important because a partner’s willingness to pay for services is one indicator of demand for those services. The figure below shows how the NSOs are compensated for their technical services. Three-quarters of the surveyed NSOs require partners to cover at least part of the cost of technical services. Only one, IMI/IPC, requires all partners to pay the full cost of its technical services.⁷

Several NSOs adjust their technical service rates depending on the partner. For example, associates and affiliates of WWB pay partial fees for technical services, but WWB-GNBI partners pay the full cost. The Microfinance Centre offers technical services to both partners (who receive a discount) and non-partners (who pay full price).

NSOs deliver technical services along a spectrum, ranging from direct provision of services by NSO staff to the complete outsourcing of technical services to third parties. Most NSOs, however, strike a balance between internal and external resources.

⁶ However, DID offers diverse technical services that spread over a number of the categories identified in Table 2, plus others that are not included here, hence it is not listed in the table.

⁷ IMI is an investment company established by IPC, a consulting firm.



The decision to contract for NSO services, or to seek the same services from another provider, can cause strain—or even conflict—between a partner and the NSO. While NSOs may feel that a partner needs certain technical services, the partner may disagree. Requiring payment for at least part of technical services generally demonstrates that both the partner and the NSO mutually desire the services.

Knowledge Management

In addition to technical services, NSOs provide valuable information to their partners and to the wider microfinance community. All but one NSO dedicate some portion of their effort to knowledge management, with SEEP ranking this service highest (45 percent of total effort).

Research and Development

All but two of the surveyed NSOs conduct research to help partners develop new areas of operation. More than three-quarters of the 33 NSOs conduct research to help partners develop new clients and products, refine existing products, streamline operations, and improve technology. Other research categories included impact evaluation, institutional linkages, regulation, and governance.

Most NSOs devote less than 25 percent of their total effort to research and development. The Microfinance Centre was an exception: it allocates 37 percent of total operational effort to research, such as regional studies.

Policy Advocacy

In countries with an active or potential microfinance market, NSOs (national, regional, and international) often play an important advocacy role vis-à-vis local governments and central banks. They commonly promote prudential regulation and supervision, accommodating legal structures, and relaxation of interest rate restrictions.

Policy advocacy is a key activity of most of the 33 NSOs. In many cases, networks become involved with advocacy when inappropriate policies thwart the effectiveness and growth of their partners. WSBI allocates the highest percentage of its work (55 percent of total effort) to policy advocacy and lobbying with the European Savings Bank Group on behalf of the member savings and retail banks in Europe and the developing world. WWB also invests considerable resources in policy advocacy, both

at the global level (by promoting industry standards) and at the national level (by supporting its national partners to build consensus and engage top policy makers in selected countries such as India, Russia, and Pakistan).

Only four NSOs profiled are *not* involved in policy advocacy, and eight NSOs concentrate their advocacy work in donor countries—not in developing countries—where they work to increase funding for microfinance and to determine the way in which such funds are allocated.

Conclusion

The 33 self-profiles reveal considerable differences among networks. The level and nature of the NSO's engagement with their MFI partners is the key distinguishing feature; it ranges from starting up new institutions to strengthening weaker institutions to affiliating with leading institutions. Geographic focus and the level of NSO ownership and governance are also significant characteristics. Finally, several NSOs focus specifically on particular services, such as product development, institutional transformation, information technology, and funding.

Despite the preponderance of differences, the profiles also show that most microfinance NSOs today share certain characteristics:

- A significant group of NSOs are assuming a larger role in the governance of their partner organizations and buying ownership stakes in at least some partners.
- Increasing numbers of NSO partners are becoming formal regulated financial institutions.
- NSOs are increasingly promoting performance standards and financial transparency among their partners.
- A large number of NSOs are asking partners to pay at least a portion of the cost of technical services.
- Most NSOs are funded by public and private donations. For certain NSOs, private contributions (both from foundations and individuals) are a substantial source of funding.

This Focus Note has described the roles and features of 33 microfinance NSOs, based on their own self-reporting. The NSOs that participated in the study represent the most significant global and regional microfinance networks currently in operation. As the preceding analysis makes clear, great diversity exists both within and among microfinance NSOs and their networks.

NSOs are highly individualized organizations that provide a significant range of valuable services to MFIs. These services are often viewed as complementary by MFIs, which frequently belong to multiple networks. Donors should match their development goals to the mission and services of a particular NSO and its network, e.g, capacity building for a specific MFI, improving the policy framework for microfinance in a given region, or assisting strong MFIs to make the transition to commercial, regulated institutions. For ideas on how to appraise an NSO and its network for potential funding, see Box 2.

As the global microfinance market continues to develop, networks will continue to reflect the diversity of institutions that provide financial services to the poor. This diversity will in turn affect the services that NSOs offer, the governance and ownership roles they play in partner organizations, and the ways in which they promote performance standards among their partners.

Box 2 Twenty Questions for Donors: How to Appraise a Network

Donors are encouraged to consider the issues raised in this Focus Note when considering networks for funding. In addition to consulting individual self-profiles for detailed information on a specific network (see the Network Service Organization Self-Profiles on the MIX web site at www.themix.org), donors are invited to consider the following key questions:

1. What is the **mission and development strategy** of the NSO? How does the NSO put this strategy into action? What are the main strengths and drawbacks to the NSO's development strategy?
2. Who are the **NSO's partners**? Note their stages of development, target clients, locations, and contexts. How broadly and deeply is the NSO engaged with its partners? What is the criteria and process for network affiliation? What are the main challenges to adding new partners?
3. To what extent has the NSO set clear **performance standards** for partners? Discuss the policies and experience of sanctioning or disaffiliating partners.
4. What **services** does the NSO offer, and how does this relate to the NSO's mission and development strategy? In what ways do these services add value to NSO partners and to the microfinance industry as a whole? How effective are each of the services offered in terms of delivery, cost-effectiveness, and impact on partners?
5. What is the **trend in the quality of NSO partners**, including breadth and depth of outreach, profitability, portfolio quality, and potential for sustainable growth? What is the depth of engagement between the NSO and its partners? To what extent can the quality of partners be attributed to the work of the NSO?
6. Are NSO **reports and monitoring** adequate to assess NSO and partner performance? How has the NSO used this information to transform NSO and/or partner operations? How **transparent** is the NSO with this information? What is the availability and quality of information on NSO and partner performance, operations, and finances?
7. How do **partners view NSO services**? How do they demonstrate, in concrete terms, the value they place on those services? How do other industry **stakeholders assess NSO services** and contributions to partners and to the microfinance industry as a whole?
8. Describe the **NSO's board of directors**. How well does the NSO board understand broad issues of microfinance? How effectively does the NSO board guide the NSO in the fulfillment of its strategic vision, provide oversight to the NSO management, and represent the NSO externally?
9. How effective is the NSO's **structure of operations**? How does the structure impact the NSO's ability to work effectively in its choice of regions and countries?
10. Evaluate the composition and competence of the NSO's **management team**. How effective is the management team in optimizing the performance and impact of the NSO?
11. Evaluate the composition and competence of the **NSO staff**. To what extent is the NSO staff held accountable for results?
12. Based on the NSO's capacity and past performance, evaluate the focus of the **business/strategic plan**. Does the strategic plan reflect a clear understanding of the state of the industry and is it realistic?

Box 2 Twenty Questions for Donors: How to Appraise a Network

13. Does the NSO have **adequate resources** given budget projections and funding requirements? Is the NSO's funding plan adequate for future goals? To what degree, if at all, does the NSO emphasize *sustainability* in its operations?
14. Is the **allocation of resources** compatible with the NSO's mission? Are resources allocated and monitored through an annual NSO workplan and budget? In case of funding shortfalls, are adequate mechanisms or reserves in place to buffer such losses?
15. Evaluate the **cost structure** of the NSO. How effective is the NSO in maintaining operating and administrative costs at appropriate levels? Does the NSO have effective cost recovery mechanisms built into service delivery where appropriate?
16. What are the potential **risks** to the NSO's financial management? How restricted and diverse are the NSO's funding sources? Has the NSO effectively leveraged commercial resources? How vulnerable is the NSO to financial shocks?
17. What are the NSO's **major accomplishments**? What is the profile of NSO partners, and is the NSO making a substantial contribution to their quality and performance?
18. What are the NSO's **principal strengths and weaknesses**? Consider in particular the NSO's management, services, financial position, use of funds, and development impact.
19. Given the NSO's current situation and ongoing evolution of the financial sector, what are the **potential opportunities for and threats to NSO mission and operations**?
20. What are the analyst's **recommendations** for support funding (amount, type of instrument, purpose)? What are the potential risks related to this support for the institution providing funding, the NSO, and NSO partners?



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Appendix Summary NSO Self-Profiles†

NSO Characteristics

NSO	NSO Groupings				Functional Scope				Geographic Focus			NSO Source of Funds (%)					
	MF association	Technical service	Ownership-plus	Funder	Multi-sector development	MF with health/education	MF and related services	MF only	National	Regional	Global	Public donors	Private donors	Loans	Investment income	Membership fees	Earned income
ACCIÓN			•				•			•	26	52			0.7	14	7.3
AFRACA	•				•				•		50			1	47	2	
AFMIN	•						•		•		80				5	15	
BWTP	•								•		20	75			5		
CASHPOR		•							•		99				1		
CRS			•		•					•	59	33					8
CIDR		•			•				•		77	23					
CERISE	•									•	54				14	32	
DID			•				•			•	86	7		2		5	
ECLOF			•							•		95		1		4	
FINCA			•							•	30	11				59	
FFH		•				•				•	31	59				10	
FWWB				•			•	•			10	5	80	1	1	3	
Grameen F		•					•			•	12	85		1		2	
Grameen T		•					•			•	81	2		14	3		
GRET			•		•					•	95	5					
INAFI	•						•			•		80			20		
IMI/IPC			•				•			•				75			25
MEDA			•				•			•	28	15	34	1	22		
MFC		•					•		•			59			2	39	
MFN	•						•			•	92				4	4	
Opportunity			•			•				•					88	12	
Profund				•			•		•							10	90
Pro-Mujer			•		•				•		56	42		1		1	
Sa-Dhan	•						•	•			76			2	5	17	
Save			•		•		•			•	34	66					
ShoreCap				•			•			•	65	5				30	
SEEP	•						•			•	73	10		0.3	3.7	13	
Unitus				•			•			•		20	75	1		5	
WSBI		•					•			•					95	5	
WWB		•					•			•	70	20		10			
WOCCU		•				•				•	76	2		1	16	5	
World Vision			•		•					•	25	75					

† Profiles as of mid 2003; NSOs did not report in all categories; marks may be shifted toward adjacent category or centered between categories to more accurately reflect their self-profiles; for greater detail, see individual NSO self-profiles at www.themix.org.

Partner Characteristics

Appendix Summary NSO Self-Profiles†

NSO	Status of Partners			Partner Legal Status					Initial Status of Partner Clients		
	Independent partners	NSO supported early	Created by NSO	All partners unregulated	Less than half regulated	About half regulated	More than half regulated	All partners regulated	Majority below US \$1 per day	Diverse range of clients	Majority vulnerable non-poor
ACCIÓN	•		•				•			•	
AFRACA	•									•	
AFMIN	•			•					•		
BWTP	•					•				•	
CASHPOR	•	•	•			•					
CRS	•	•	•		•				•		
CIDR			•				•		•		
CERISE	•			•						•	
DID	•	•					•			•	
ECLOF	•		•		•					•	
FINCA			•	•					•		
FFH	•					•			•		
FWWB	•			•					•		
Grameen F	•	•			•				•		
Grameen T		•			•				•		
GRET			•			•			•		
INAFI	•					•			•		
IMI/IPC			•					•		•	
MEDA	•	•	•					•		•	
MFC	•				•					•	
MFN	•						•			•	
Opportunity		•			•				•	•	
Profund	•								•		
Pro-Mujer			•	•					•		
Sa-Dhan	•				•				•		
Save	•		•		•				•		
ShoreCap	•								•		
SEEP	•							•		•	
Unitus	•					•				•	
WSBI	•							•		•	
WWB		•			•					•	
WOCCU	•	•						•		•	
World Vision			•		•				•		

† Profiles as of mid 2003; NSOs did not report in all categories; marks may be shifted toward adjacent category or centered between categories to more accurately reflect their self-profiles; for greater detail, see individual NSO self-profiles at www.themix.org.

Accountability and Transparency

Appendix Summary NSO Self-Profiles†

NSO	Role in Ownership and Governance					Partner Involvement in NSO Governance				Financial and Outreach Information				Enforcing Performance Standards		
	No equity or governance	No equity, Ex-officio board role	Minority shares	Majority shares	Wholly owned	Partners not on board	Partners vote on board	Some partners on board	NSO run by partners	Does not provide information	Discloses summary information	Discloses audited financial plus	Performance publicly available	Through public disclosure only	Through peer/network review	Breach results in disaffiliation
ACCIÓN	•	•	•			•					•	•		•	•	•
AFRACA	•								•			•		•		•
AFMIN		•					•				•				•	
BWTP	•							•			•				•	
CASHPOR	•	•						•			•				•	
CRS	•	•	•	•	•	•					•			•		
CIDR	•	•				•					•			•		
CERISE	•								•	•					•	
DID	•	•				•					•			•		•
ECLOF		•						•			•				•	•
FINCA					•			•				•			•	
FFH	•					•					•			•		
FWWB	•					•						•			•	
Grameen F	•					•					•				•	
Grameen T		•	•			•					•				•	
GRET	•	•		•		•					•				•	
INAFI	•						•				•				•	
IMI/IPC			•	•		•					•	•			•	
MEDA	•	•	•	•		•				•				•		
MFC	•							•			•			•		
MFN	•								•			•				•
Opportunity		•	•	•	•			•			•					•
Profund			•				•					•		•		
Pro-Mujer					•			•			•				•	
Sa-Dhan	•								•		•			•		
Save	•	•	•		•	•					•				•	
ShoreCap			•			•										
SEEP	•								•		•					
Unitus				•		•					•					•
WSBI	•								•		•			•		
WWB		•	•					•				•			•	
WOCCU	•							•				•				•
World Vision					•	•				•				•		

† Profiles as of mid 2003; NSOs did not report in all categories; marks may be shifted toward adjacent category or centered between categories to more accurately reflect their self-profiles; for greater detail, see individual NSO self-profiles at www.themix.org.

NSO Services

Appendix Summary NSO Self-Profiles†

NSO	NSO Financial Services				NSO Compensation for TS			Technical Service Delivery			Policy Advocacy			
	No contractual financial link	Brokers or co-sponsors funding	Lends to partners	Invests equity in partners	NSO subsidizes full cost	Partner pays partial fee	Partner pays full cost	By NSO staff	Mixture of in-house and outsourced	All outsourced	Not active	Active in donor country policy	In specific developing countries	Global effort
ACCIÓN		•	•	•		•	•	•				•		•
AFRACA	•					•			•				•	
AFMIN		•				•			•				•	
BWTP	•				•				•					•
CASHPOR		•	•	•		•			•				•	
CRS	•	•	•	•		•			•			•	•	
CIDR	•	•	•		•			•					•	
CERISE	•											•		
DID	•	•	•	•		•			•			•	•	•
ECLOF			•			•			•				•	
FINCA			•	•		•			•				•	
FFH			•			•			•			•		
FWWB			•			•			•				•	
Grameen F			•		•				•			•		
Grameen T				•		•			•				•	
GRET		•		•	•	•			•				•	
INAFI	•					•			•					•
IMI/IPC			•	•			•		•				•	
MEDA	•	•	•	•		•			•				•	
MFC	•						•	•					•	
MFN	•					•			•					•
Opportunity		•	•	•			•		•			•	•	
Profund			•	•									•	
Pro-Mujer		•	•			•			•		•			
Sa-Dhan	•				•	•	•		•				•	
Save		•		•	•				•			•	•	
ShoreCap				•		•			•		•			
SEEP		•				•			•		•			
Unitus		•	•	•		•			•		•			
WSBI		•				•			•					•
WWB		•				•	•		•				•	•
WOCCU	•					•			•				•	
World Vision				•		•			•			•		

† Profiles as of mid 2003; NSOs did not report in all categories; marks may be shifted toward adjacent category or centered between categories to more accurately reflect their self-profiles; for greater detail, see individual NSO self-profiles at www.themix.org.

ANNEX 1 - CONSOLIDATED NSO PROFILE

CGAP advocates NSOs and their partners as an effective means for donors to engage in microfinance. Donors with limited staff or technical capacity can leverage their time and funds by investing in well-managed NSOs that may be in a better position to provide direct financial and technical assistance to their partner MFIs. NSOs have played a critical role in developing standards, practitioner exchanges, mutual accountability, wholesaling funds, and providing technical services. But donors have found it difficult to distinguish networks from one another because they encompass organizations with as many differences as similarities.

In this context, CGAP and the SEEP Network invited network leaders and donors to a workshop in October 2002 to discuss the role of networks in promoting financial services for the poor. Subsequent consultation through April 2003 led to the development of the Network Support Organization Profile. Thirty-three NSOs completed the self-profile by summarizing basic information and placing themselves along a series of spectrums intended to differentiate key dimensions of their operations.¹ The results of these individual profiles have been regrouped into the Consolidated Profile to provide an overview of NSO types and activities, as of mid-2003. The Focus Note "What is a Network? The Diversity of Networks in Microfinance Today" provides further analysis of the information collected in the self-profiles.

The diagrams in this Consolidated NSO Profile do not always reflect 33 NSOs because not all NSOs responded to each item in the self-profile.

I. Overview

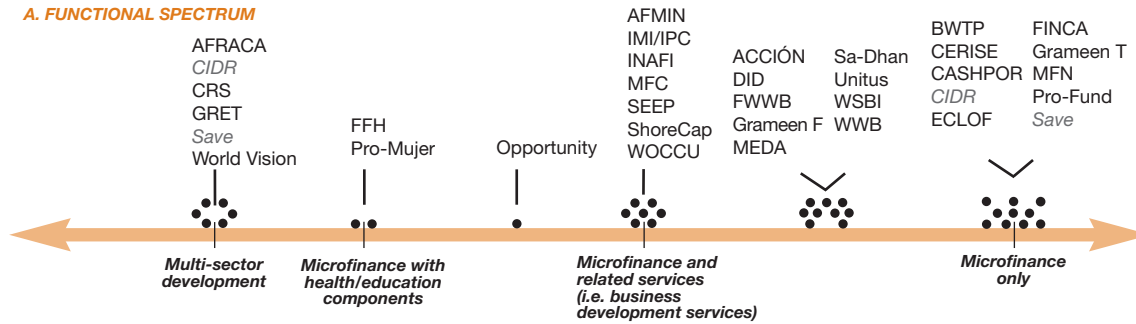
A. Mission statement for network support organization (NSO)	The mission statements of NSOs working in microfinance vary in many aspects, including target clients, geographic scope, and objectives. It is important to understand an NSO's performance in the context of their stated mission and objectives.
B. Description of partners/members/affiliates	Depending on the relationship between the NSO and the organizations it supports, different terms are used to describe this relationship. For the purposes of this profile, partner represents all of these relationships, including members and affiliates.
C. Number of partners	The number of partners ranges from 4 (Pro-Mujer) to 236 (Catholic Relief Services).
D. Number of full-time staff of the network support organization	The number of staff ranges from 1/2 person (Banking with the Poor Network) to 1,755 staff (FINCA International).
E. Percentage of partners with positive Return on Assets (ROA)	Only 20 out of the 33 NSO self-profiles provided a percentage of partners with a positive ROA: BWTP, INAFI, MFC, MFN, CASHPOR, Grameen Trust, WOCCU, WWB, WSBI, ACCIÓN, DID, FINCA, IMI/IPC, Opportunity, Pro Mujer, Save, World Vision, FWWB, ProFund, and Unitus. For those reporting, it ranged from 10% (FWWB) to 92% (ProFund). Some provided an alternative profitability measure, such as financial self-sufficiency.
F. Total active clients of partners	The number of active clients of NSO partners ranges from 70,000 (ECLOF) to 14 million (BWTP).

¹For updated information on networks, check the MIX Market at <http://www.mixmarket.org/en/partners/partners.quick.search.asp>.

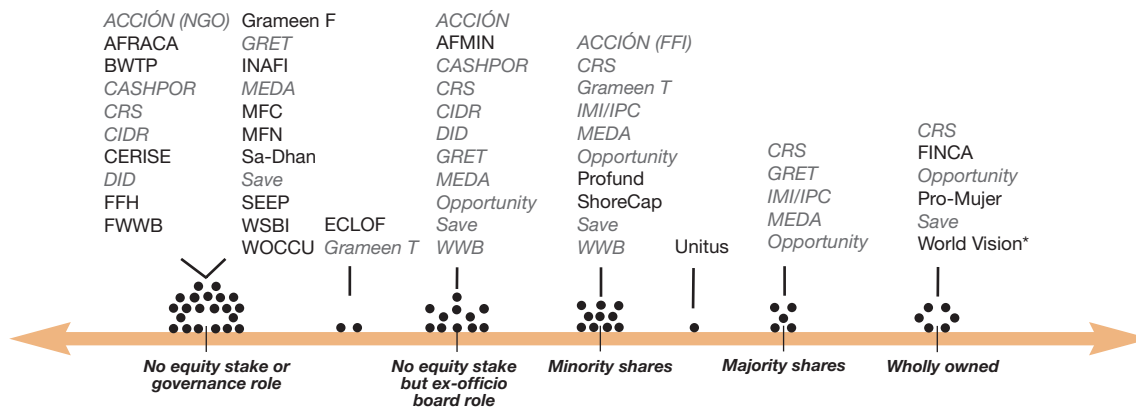
CONSOLIDATED NSO PROFILE

II. Core Business Model

A. FUNCTIONAL SPECTRUM

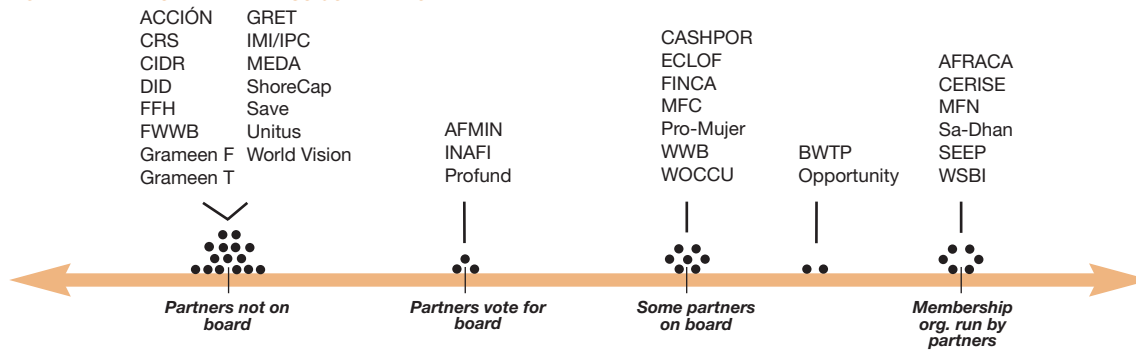


B. OWNERSHIP AND GOVERNANCE SPECTRUM



* World Vision either fully owns its partners or exercises full board control.

C. PARTNER INVOLVEMENT IN NSO GOVERNANCE

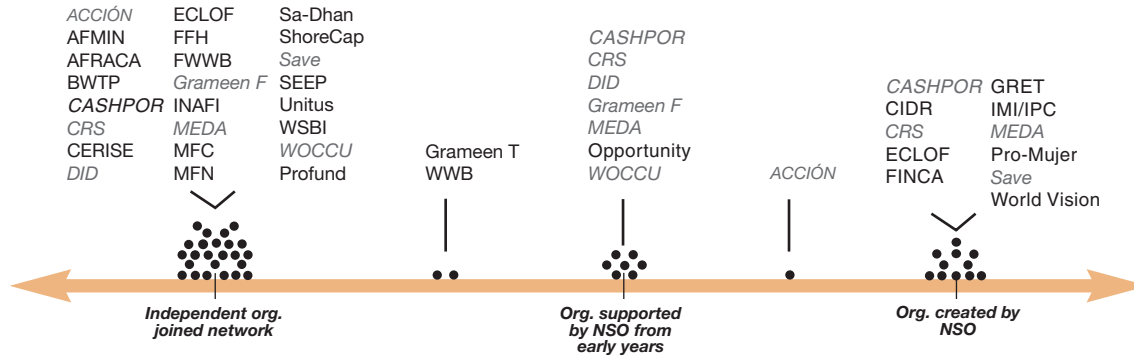


* Networks appearing more than once in the same diagram appear in italics.

CONSOLIDATED NSO PROFILE

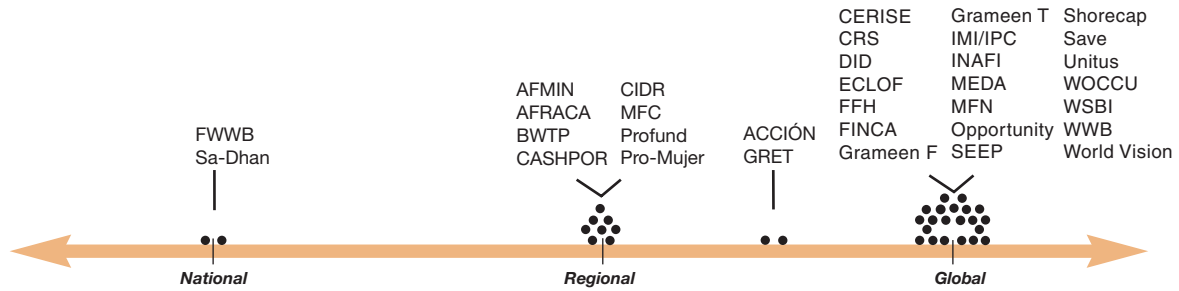
II. Core Business Model *CONT.*

D. INITIAL STATUS OF PARTNERS



III. Operations

A. GEOGRAPHIC SPECTRUM



B. REGIONAL PRESENCE: Areas where the NSO operates and/or has partners

	Sub-Saharan Africa	Asia	Latin America	Eastern Europe, Central Asia, NIS	Middle East, North Africa	North America Western Europe
NSO with partners in region	24	24	23	17	12	12
Number of partners in region	552	704	426	266	56	62

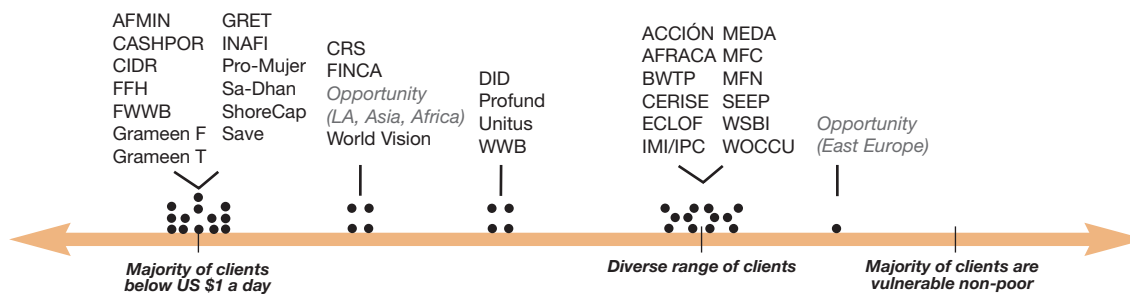
CONSOLIDATED NSO PROFILE

III. Operations *CONT.*

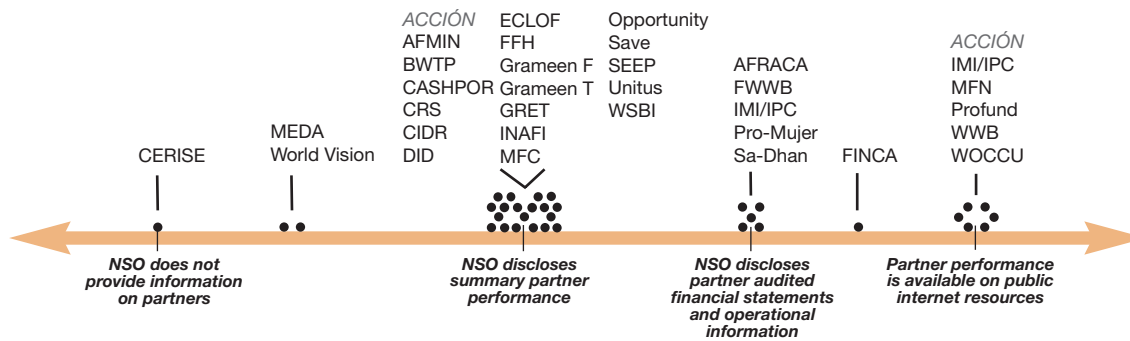
C. PARTNER LEGAL STATUS

	Project/Informal	Foundation & NGO		Cooperative		Non-bank Finance Inst.		Bank	Bank
	Unregulated	Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated	(mf focus)	(traditional)
<i>NSO with partners in category</i>	10	9	25	17	7	19	7	18	6
<i>Number of partners in category</i>	57	127	593	118	34	91	24	79	164

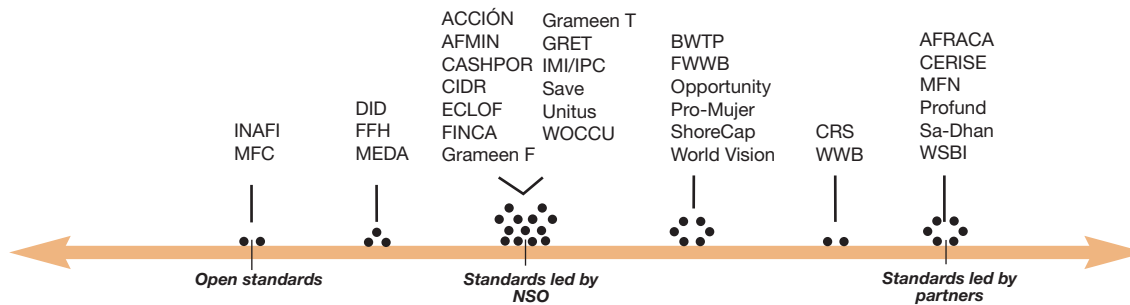
D. INITIAL POVERTY LEVEL OF PARTNER'S CLIENTS



E. FINANCIAL AND PERFORMANCE INFORMATION



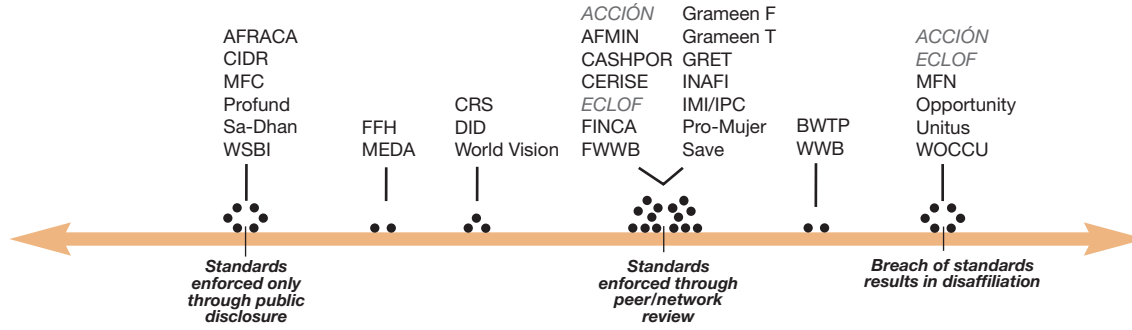
F. NETWORK-WIDE STANDARDS on performance (including membership criteria and minimum performance standards)



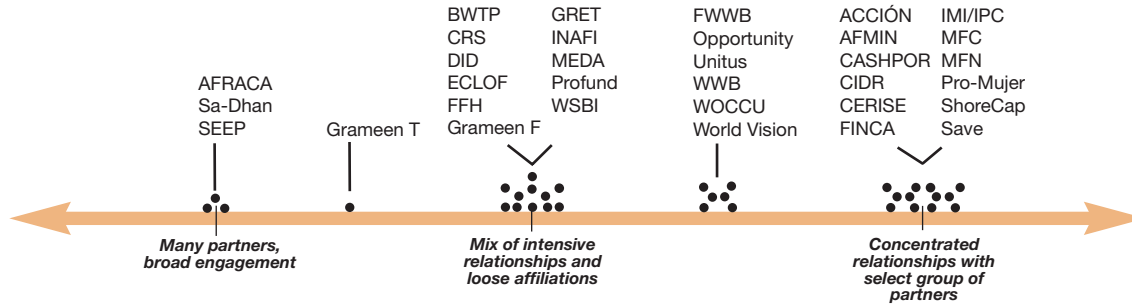
CONSOLIDATED NSO PROFILE

III. Operations CONT.

G. ENFORCING PERFORMANCE STANDARDS



H. NATURE OF RELATIONSHIP WITH PARTNERS



CONSOLIDATED NSO PROFILE

III. Operations *CONT.*

I. NSO SOURCE OF FUNDS (in percentages)

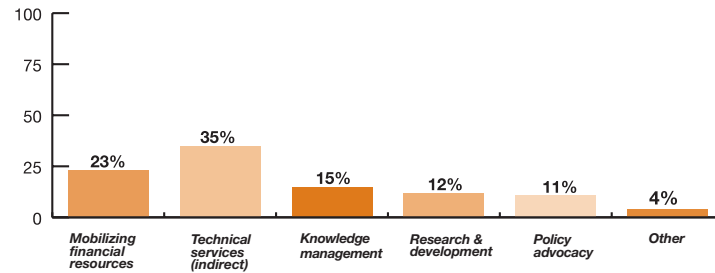
	Public Grants	Private Donations	Loans Income	Investment Fees	Membership Income	Earned Income	Other*
AFMIN	80				5	15	
AFRACA	50			1	47	2	
BWTP	20	75			5		
CERISE		54			14	32	
INAFI		80			20		
MFC		59			2	39	
MFN	92				4	4	
Sa-Dhan	76			2	5	17	
SEEP	73	10		0.3	3.7	13	
CASHPOR	99				1		
CIDR	77	23					
FFH	31	59				10	
Grameen F	12	85		1		2	
Grameen T	81	2		14	3		
WOCCU	76	2		1	16	5	
WWB	70	20		10			
WSBI					95	5	
ACCIÓN	26	52			0.7	14	7.3
CRS	59	33					8
DID	86	7		2		5	
ECLOF		95		1		4	
FINCA	30	11				59	
GRET	95	5					
IMI/IPC				75			25
MEDA	28	15	34	1	22		
Opportunity					88	12	
Pro-Mujer	56	42		1		1	
Save	34	66					
World Vision	25	75					
FWWB	10	5	80	1	1	3	
Pro-Fund						10	90
ShoreCap	65	5				30	
Unitus		20	75			5	

*Some NSOs listed interest and fees, technical services provision, and other investment shareholdings as other sources of funds.

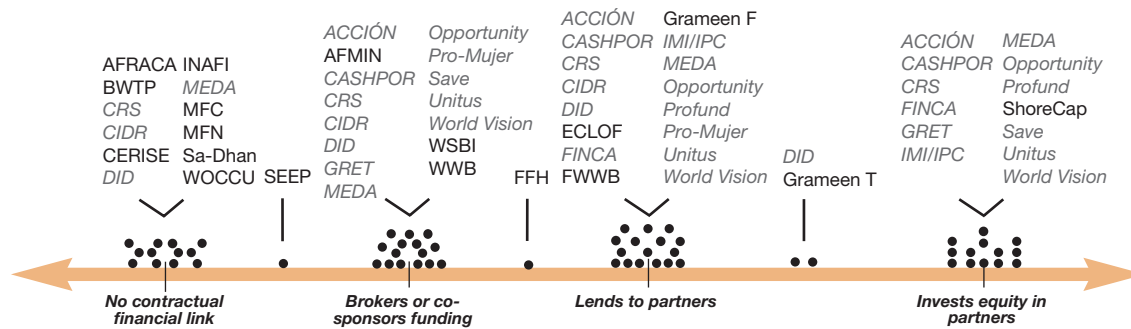
CONSOLIDATED NSO PROFILE

IV. Services CONT.

A. LEVEL OF EFFORT committed by NSO to specific activities (average of all networks)



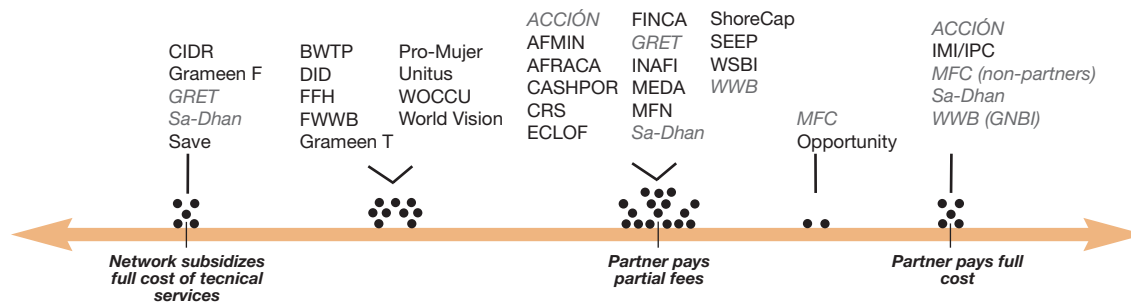
B. FINANCIAL SERVICES SPECTRUM



C-1. TECHNICAL SERVICES: Types of technical services offered to partners. Technical services refers to consultancy, training, advisory services, etc. (number indicates total NSOs that provide each service)

Institutional Start-Ups	Institutional Transform (to FFIs)	Product Development and Rollout	HR Dev	IT	Strategic Planning	Efficiency and Re-engineering	Financial Analysis and Rating	Other
19	14	24	23	24	25	25	24	15

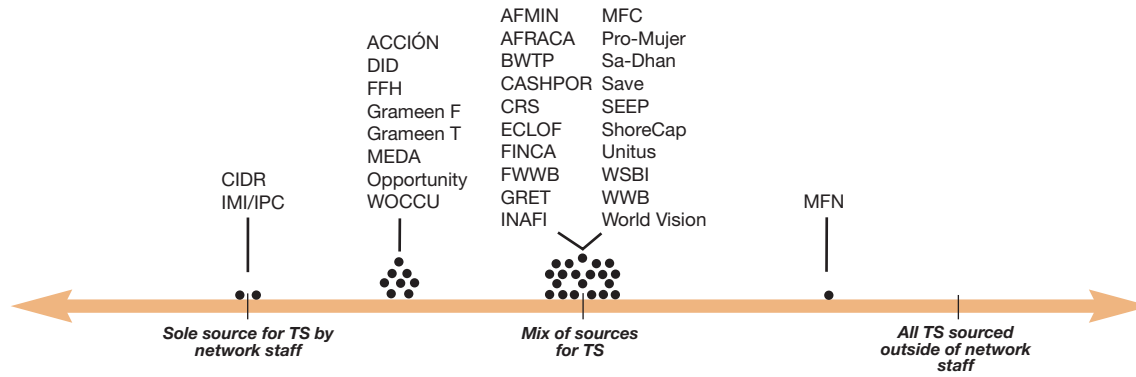
C-2. NSO COMPENSATION FOR TECHNICAL SERVICES



CONSOLIDATED NSO PROFILE

IV. Services CONT.

C-3. TECHNICAL SERVICES (TS) DELIVERY



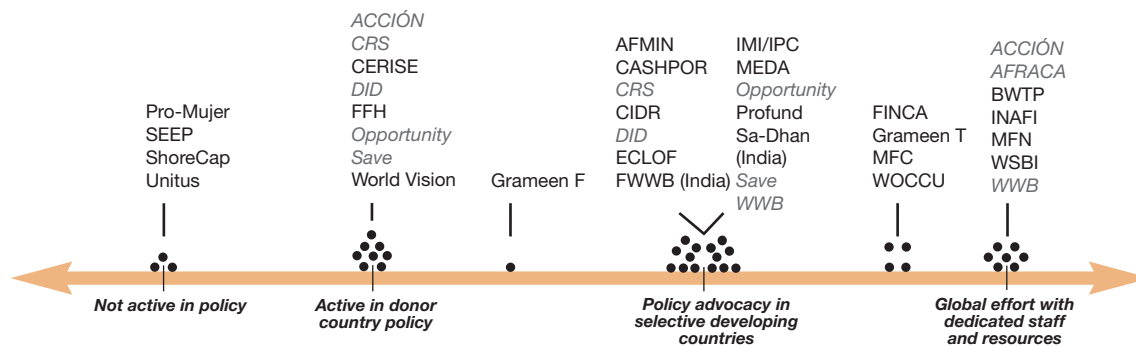
D. KNOWLEDGE MANAGEMENT: Opportunities for transferring lessons learned within the network and the broader microfinance industry (number reflects total NSOs that use each method)

Task Force/ Working Group	Case Studies	Technical Guides	Staff Exchanges	Listserve/ Virtual Mtg.	Website- External	Newsletter	Other
23	28	28	25	9	30	20	15

E. RESEARCH AND DEVELOPMENT: Innovation, research, and piloting new products (number reflects total NSOs that undertake each type)

Clients	Products	Operations	Technology	Other
23	28	29	25	12

F. POLICY ADVOCACY: Engagement of NSO and partners in policy advocacy with national governments and bank supervisors



Notes

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Notes

