



FOR IMMEDIATE RELEASE

Contact:

Jeanette Thomas
Communications Manager
jthomas1@worldbank.org
Tel:+1 202 744 4829 (cell)

Samer Badawi
Tel: 1 202 473 6709
sbadawi@worldbank.org

With Gates Backing, CGAP Expands Program To Link Technology, Microfinance

Washington, DC, January 26, 2006 - CGAP, a resource center for microfinance whose members represent the bulk of aid to the industry, announced plans today to dramatically accelerate its quest for technology solutions that can bring critical financial services -- from loan and savings accounts to money transfers -- to billions more of the world's poor.

The \$26 million initiative includes a four-year, \$24 million grant from the Bill and Melinda Gates Foundation. Most of this funding will support pilots to expand access to financial services with new technology approaches.

"Through wireless and other technologies, we can connect poor people to the financial systems of their countries, allowing these countries to leapfrog many stages of financial sector development," said CGAP Chief Executive Officer Elizabeth Littlefield. "Imagine a villager in a remote rural area, days away from the nearest bank branch, having access to the same financial services you and I take for granted. That's the vision we share with Bill and Melinda Gates, and we are very grateful for their support."

Sylvia Mathews, President of the Global Development Program at the Gates Foundation, said the expanded focus on technology builds on CGAP's ten-year track record of leadership and service to the microfinance industry.

"By supporting experimentation with new technologies that have the power to dramatically change the business model of delivering financial services, we can help expand access to financial services for hundreds of millions of poor people," said Mathews. "Our hope is that our partnership with CGAP will result in new financial services models that others can take up and deploy."

While the quest for breakthrough technology innovations is inherently risky, CGAP expects to identify and support key solutions over the next four years that can significantly lower the costs of financial services delivery. These solutions, says CGAP technology expert Gautam Ivatury, "will help prove the business case" for banks and other commercial players to enter the microfinance market and will enable many more of the world's poor - especially those in rural areas - to gain access to high-impact financial services.

The business case for serving poor people has long been apparent to many in the telecommunications industry, which has seen the number of mobile phone subscribers double -- to two billion -- in just over two years. Some 80 percent of that growth has been in developing countries, according to the London-based GSM Association, a CGAP partner and a global trade association representing nearly 700 mobile phone operators.

Ivatury points out that "cell phones have become the first communications technology in history to have more users in poor countries than rich ones," a fact that is leading many in the banking industry to ask: "Why can't we bank the world's poor using the phones in their pockets?"

With many thousands of providers worldwide, the microfinance industry has grown considerably, but penetration remains low, especially among the very poorest. Barriers to that penetration include weak institutions, ineffective aid, and inappropriate policies and regulations.

To identify innovative new approaches, CGAP will build partnerships with a wide variety of actors - from mobile network operators to banks and technology firms. The program will also invite proposals from organizations interested in experimenting with new models for reaching the poor, and will offer technical assistance and grants to offset risks and capture key lessons. CGAP will also shape an understanding of the financial sector regulation that can stimulate new approaches while protecting customers and financial providers.

About CGAP

www.cgap.org

The Consultative Group to Assist the Poor (CGAP) is a resource center for the microfinance industry, setting standards, offering technical and advisory services, training, and information on best practices, in addition to providing funding for innovative projects. Its 33 members - including bilateral, multilateral and private donors - are committed to building more inclusive financial systems that work for the poor. In 2004, the G8 endorsed CGAP's Key Principles of Microfinance.

About the Bill and Melinda Gates Foundation

www.gatesfoundation.org

Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to reduce inequities and improve lives around the world. In developing countries, it focuses on improving health, reducing extreme poverty, and increasing access to technology in public libraries. In the United States, the foundation seeks to ensure that all people have access to a great education and to technology in public libraries. In its local region, it focuses on improving the lives of low-income families. Based in Seattle, the foundation is led by CEO Patty Stonesifer and Co-chairs William H. Gates Sr., Bill Gates, and Melinda French Gates.