

EU/ACP Microfinance Framework Programme Site

ACP-EU Microfinance Programme

The EU/ACP Microfinance Framework Programme helps the poor in African, Caribbean and Pacific (ACP) countries get better access to appropriate financial products and services. The Programme takes a three-pronged approach to improve the effectiveness of microfinance operations in ACP countries by:



Building Capacity: Strengthening Institutions

One of the main bottlenecks in microfinance in ACP countries is the lack of retail financial capacity. To address this, the EU/ACP Microfinance Programme awarded eleven grants following a one-off [Call for Proposals](#) in June 2005. The [implementing partners](#) are using the grants to diversify financial services for the poor, develop new products beyond microcredit, make better use of technology, and enhance transparency.

The Programme has also developed initiatives to build capacity of Caribbean and Pacific microfinance actors in collaboration with the regional microfinance networks.

Learn more about our [capacity building](#) efforts.

Ratings: Stimulating Improvement

The Programme co-financed more than 70 ratings of ACP Microfinance Institutions (MFIs) through the [Rating Fund](#) to improve information available on the risk and performance of microfinance institutions. Starting in January 2008, the Programme will also fund the Information Systems Programme in order to assist ACP MFIs with IT expertise.

Learn more on [ratings](#) and information systems.

Transparency & Efficiency: Promoting a Shared Goal

The Programme and CGAP share a goal of promoting institutional and product diversity, building transparency, and enhancing regulatory and policy frameworks. CGAP has a dedicated Africa initiative and provides advice to many African governments and Central Banks.

Learn more on [transparency](#) and efficiency.



The EU/ACP Microfinance Programme is a **promising model for the professionalisation of the EC's support to microfinance**. Learn how the [Programme](#) could affect future programming.

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About ACP-EU Microfinance

Improving Access to Finance

People living in poverty - like everyone else - need access to a diverse range of financial services to run their businesses, build assets, stabilize consumption, and shield themselves against risk. Microfinance services required for this include not only microcredit, but also savings, insurance and payment services. The real challenge facing microfinance in ACP countries - as in many other places - is scaling-up services to reach the people who still lack access to formal financial services.

... creating financial systems that work for the poor and boost their contribution to economic growth ...

Many of the necessary elements needed to scale up microfinance are already in place. A great deal of the knowledge about the requirements of sustainable microfinance already exists. Several high performing microfinance institutions (eg NGOs, cooperatives, credit unions, finance companies, banks) have developed innovative methodologies to extend credit, savings and other services to poor clients. A number of domestic and international private commercial banks and other institutions with nationwide distribution systems are beginning to take active interest in reaching poorer clients. Advances in information technology have the opportunity to lower the cost and risk of providing microfinance to the poor.

The challenge before us is to mobilize this knowledge and apply it on a much vaster scale in ACP countries, creating financial systems that work for the poor and boost their contribution to economic growth.

Supporting Sound Microfinance

In January 2005, the European Union and the African, Caribbean and Pacific States (ACP Group) launched the EU/ACP Microfinance Framework Programme (the Programme). With a budget of 15 million Euro for 4 years from the 9th European Development Fund, the EU/ACP Microfinance Programme intends to support the development of innovative solutions and dissemination of good practices in microfinance. The Programme builds on successful microfinance experiences in ACP countries and promotes South-South learning. With this pilot programme, the EU seeks to advance the overall effectiveness of its microfinance operations in ACP countries, including those not directly funded by this Programme.

The EU/ACP Microfinance Programme offers a **professional model for the European Commission's (EC) support to microfinance because of its:**

- Focus on building the retail level capacity of microfinance actors. This is one of the biggest constraints in microfinance, and the EC is well-positioned to it with its grant instrument.
- Thorough screening process leading to the selection of professional implementing partners.
- Expert advise in design, implementation and monitoring stages of the Programme. This professionalism was welcomed and appreciated by the implementing partners.
- Application of internationally accepted good practices, such as using performance-based contracts with implementing partners and standard reporting requirements.
- Frank and open cooperation with implementing partners, EC delegations and other funders.

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Financial Systems Development Approach


The Programme takes a financial systems development approach which emphasises institutional sustainability as a crucial element in the provision of microfinance services. To ensure permanent access to financial services by low income people, capacity needs to be built at different levels of the financial systems. The EU/ACP Microfinance Programme targets microfinance actors at every level: microfinance retail institutions, the financial industry infrastructure up to the policy-making level. The Programme has three areas of intervention in ACP countries:


[Build Capacities](#) and strengthen microfinance actors


[Support Ratings](#) in microfinance and stimulate improvement

[Enhance Transparency and Efficiency](#) in the microfinance market

Results of the EU/ACP Microfinance Programme

[Q1 2007 Quarterly Report](#)  [117 KB]

[Q2 2007 Quarterly Report](#)  [137 KB]

[Q3 2007 Quarterly Report](#)  [139 KB]

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Transparency & Efficiency

A Shared Goal

Together with the Consultative Group to Assist the Poor (CGAP), the EU/ACP Microfinance Programme strives to improve access to finance in ACP countries.

Areas of joint CGAP-EU/ACP collaboration

CGAP contributes to making ACP microfinance markets more efficient and transparent by supporting sound and deep market infrastructure, strong institutions with a diverse product offer and favorable policies. Together with CGAP, the EU/ACP Microfinance Programme works on:

- **Building Transparency** by creating financial standards and good information, thereby increasing transparency on financial and social performance.
- **Promoting institutional and product diversity** to improve efficiency of the delivery of financial services, thereby bringing costs down and expanding outreach.
- **Enhancing regulatory and policy frameworks** to help governments to design and implement policies conducive for sustainable microfinance

CGAP is uniquely positioned as a well-respected, high quality resource centre for the microfinance industry. It provides specialised services such as technical advice, training, research and development, standards promotion, and information dissemination. Primarily through CGAP's Africa initiative (but also with its Policy Cadre, Technology Program and Graduation Program), CGAP is actively engaged in ACP countries. CGAP also provides advice and training to the European Commission and other funders to improve the overall effectiveness of their support of microfinance.

Learn more about [CGAP's aid effectiveness work](#)

CGAP Activities in ACP countries

Examples of activities carried out between June 2005 and June 2007 per area of joint collaboration:

Building Transparency

- More than 200 ACP MFIs report to the Microfinance Information eXchange (MIX); more than 1000 globally.
- Eight of 34 MFIs reporting on social performance are in ACP countries.
- More than 80 investors and donors report to the MIX.
- 26 ACP MFIs received Information System Fund support.
- Six ACP MFIs received honourable mention for the 2006 Financial Transparency Award.

Promoting institutional and product diversity

- Three African banks received technical assistance for business planning development from CGAP's Retail Advisory Service.
- Two savings assessments were done in Benin and Uganda; and a cost-of-savings exercise was done in Ethiopia.
- Three ACP MFIs received a CGAP grant for development of pro-poor innovation of financial services.
- Two Kenyan institutions participate in CGAP's technology innovation program.
- A pilot commenced in Haiti to graduate the poorest into microfinance, linking safety nets and financial services.
- 478 ACP MFI managers were trained by CGAP-supported initiatives.


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Enhancing regulatory and policy frameworks

- Eight African countries and the Central Banks from West and Central Africa received technical advice on their regulatory and legal framework for microfinance.
- 12 ACP regulatory frameworks are included in the Regulation and Supervision Resource Centre.
- More than 30 policymakers were trained by CGAP staff in the policy track in Boulder.
- 16 national microfinance strategies of ACP countries were analysed.

For more information on CGAP activities in ACP countries in the course of the EU/ACP Microfinance Programme, see the overview of activities in ACP countries per fiscal year:

2006 Overview of CGAP activities in ACP countries [in fiscal year 2006](#)  [94 KB]

2005 Overview of CGAP activities in ACP countries [in fiscal year 2005](#)  [51 KB]

CGAP services for ACP microfinance actors

Microfinance actors in ACP countries are encouraged to access and use CGAP's diversity of products and services. Here are links to more information about a few of CGAP's services:

- [Financial Transparency](#)
- [Enabling Policy Frameworks](#)
- [Poverty Outreach](#)
- [Institution Building](#)
- [Donor Effectiveness](#)

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