

Articles of Association

Name, Domicile and Objectives

Article 1

Name, Domicile

The “Swiss Capacity Building Facility - Association for Income and Employment Generation” (Swiss Capacity Building Facility - Verein zur Generierung von Arbeit und Einkommen / Swiss Capacity Building Facility – Association pour la création d’emplois et de revenus / Swiss Capacity Building Facility – Associazione per la generazione di lavoro e di reddito) hereinafter referred to as “the Association” or “the SCBF”, is a non-profit association according to Articles 60 et seq. of the Swiss Civil Code domiciled in Fribourg, Switzerland. The Association has no religious or party-political affiliation.

Article 2

Objectives

The Association acts in the public interest and is not profit orientated. The objectives of the Association shall be to optimize the scale and effectiveness of the Swiss contribution to Income and Employment Generation as well as risk mitigation for low-income households, smallholders, and micro, small and medium businesses through the broadening and deepening of inclusive financial sectors as a proven poverty alleviation strategy. The objectives of the Association are entrepreneurial, but not profit orientated.

The Association’s specific objectives are to:

- a. Assist Financial Institutions¹ with a proven social mission² to up-scale massively their outreach to low-income households, smallholders, and micro, small, and medium enterprises. This may include in specific cases - justified by a particular high development relevance - additional support for the preparation of feasibility studies and/or business plans for (a) the launch of insurance products, (b) the transformation of successful financial inclusion programs into regulated financial institutions, and (c) the creation of new inclusive financial institutions (“greenfielding”) where important client segments or geographical areas are not reached by the existing institutions.
- b. Link social investors with Financial Institutions to co-finance the latter’s poor business expansion and open up new investment opportunities for the former.

¹ The SCBF defines ‘financial institution’ as any institutional type of formal financial institution, such as local and international insurance and reinsurance companies, micro and SME banks, postal and savings banks, commercial banks, development banks, savings & credit co-operatives, non-banking financial institutions, and other types of microfinance institutions..

² The SCBF defines ‘social mission’ as the commitment of a financial institution to offer financial services to poor people or to ‘emerging consumers’ (in the case of micro insurances) on a cost-covering basis with a ‘fair’ profit share while complying with the client protection principles of the Smart Campaign (<http://www.smartcampaign.org/about-the-campaign/smart-microfinance-and-the-client-protection-principles>) plus additional elements of responsible finance practices, such as good governance.

- c. Foster the development of inclusive financial sectors that offer appropriate financial services for low-income people, particularly insurance and savings products that help to reduce their vulnerability, and for small and medium enterprises.
- d. Pool complementary expertise and resources of competence centres, social investors and SDC and leverage substantial private investments to enhance scale and effectiveness of Swiss contributions to poverty reduction.
- e. Strengthen the leading role of the Swiss financial sector in microfinance, microinsurance and other development-oriented technical and financial investments thereby promoting the global image of Switzerland.

Membership

Beginning of Membership	<p>Article 3</p> <p>Membership can be granted to institutions - regardless whether private, civic or public - and exceptionally to individuals on their request by the General Assembly. Accession is feasible at any time. The accession implies acceptance of the Articles of Association.</p>
Resignation	<p>Article 4</p> <p>A member may resign from the SCBF anytime and without any cause as by submitting notice to the Chairperson and respecting a two months' notice period.</p>
Termination by General Assembly Decision	<p>Article 5</p> <p>Membership shall terminate immediately upon a decision of the General Assembly, if a member</p> <ul style="list-style-type: none"> - is in material breach of any of its membership obligations and does not immediately remedy the same upon notice; - engages in a competing activity; - seriously disturbs or threatens to disturb the proper functioning of the SCBF; - brings the Association into disrepute; - enters into bankruptcy or similar proceedings.
Termination by Resolution of General Assembly	<p>Article 6</p> <p>A member may further be expelled at any time by a resolution of the General Assembly requiring a three-quarter majority of the members present or represented. Such resolution need not be substantiated.</p>
Duties	<p>Article 7</p> <p>The members shall support the objectives of the Association. They shall refrain from taking any action prejudicial to the reputation and standing of the Association.</p> <p>Without written consent of the General Assembly, members shall not use the name, logo, mark and brand of the Association (collectively "the Brands"), or make any direct or indirect reference thereto for promotional, publicity or similar purposes, such as, for example, on stationary, business cards, in advertisements, as links on websites, or in electronic media. The same shall apply for names, logos, marks or brands which are similar to the Association's Brands.</p>
Membership Fees	<p>Article 8</p> <p>Members shall contribute the following numbers of expert days as membership fees:</p> <ul style="list-style-type: none"> - Institutions/Entities: a minimum of 10 expert days

- Individuals: a minimum of 5 expert days

Contributed expert days will be coordinated and allocated by the SCBF Administrator to the following tasks where appropriate:

- Participation in the two semi-annual meetings;
- Project decision-making in one or both Steering Committees;
- 'Pre-quality' checks of proposals prior to submission to the Steering Committees;
- Monitoring of selected projects;
- Assuming selected management responsibilities in close co-ordination with the Administrator.

Assets

Assets

Article 9

The SCBFs assets shall consist of grants by members and third parties. The assets of the SCBF shall directly be used to fulfill the purpose of the Association and therefore should be kept as liquid assets.

The members shall at no time have a claim to the Association's assets without prejudice to the "Federal Subsidy Act" (616.1).

Organization

Organization

Article 10

The corporate bodies of the Association are:

- the General Assembly;
- the 'Pro-poor' Banking and Insurance Steering Committees;
- the Administrator;
- the Auditor.

The General Assembly may form other permanent or ad hoc Sub-committees and commissions to manage and supervise the SCBF activities, to work on specific subjects and solve particular tasks.

General Assembly

General Assembly

Article 11

Powers of the General Assembly

The General Assembly is the supreme governing body of the SCBF. Every member has the right to participate in the General Assembly.

Article 12

The General Assembly shall have the power to:

- elect the Chairperson and the Vice-Chairperson for a two-year term each;
- elect the Auditors for a three-year term;
- supervise the Administrator and the Auditors;
- dismiss the Administrator and Auditors for substantive grounds;
- approve the Semi-Annual Reports and the Annual Financial Statements, including the Auditors' Report;
- decide on the contracting of expert and secretarial resources required for the administration of the Association;
- adopt and amend the Articles of Association;
- review periodically the Operational Policy & Procedures to ensure a higher effectiveness of the SCBF in meeting its objectives and targets.

Article 13

Annual General
Assembly, Motions

The Annual General Assembly shall be held within six months after the close of the previous financial year. A second meeting shall be held just after the conclusion of a business year. A motion to be put before the Annual General Assembly shall be filed with the SCBF Members no later than two weeks before the Annual General Assembly.

Article 14

Extraordinary
General Assembly

The Chairperson of the SCBF may convene an Extraordinary General Assembly at any time when required. An Extraordinary General Assembly must furthermore be convened upon written request of not less than one fifth of all members.

Article 15

Notice of
Assembly,
Agenda

Written notice of a General Assembly shall be given to all members at least ten days prior to such meeting by mail, telefax or e-mail. With the unanimous consent of all members, a General Assembly can be convened without observing the ordinary notice period. The notice for a General Assembly shall include an agenda of items to be deliberated, the motions relating to such agenda items, and, in the case of the Annual General Assembly, the Bi-annual reports, the Annual Financial Statement, and the Auditors' Report.

Article 16

Chair, Minutes

The Chairperson or, in his or her absence, the hosting SCBF Member shall take the chair at the General Assembly. Minutes shall be kept of all General Assembly meetings.

Article 17

Vote, Elections

Each member shall have one vote. Members may give written proxy to a representative to attend and vote at a General Assembly. The representative must be a member of the SCBF. Except as provided for in the Articles of Association, elections and resolutions shall be passed by affirmative vote of a qualified two-third majority of the members present or represented. An approval in writing of the majority of all members to a motion shall be equivalent to a resolution passed by the General Assembly. Upon motion by a member, a vote or election by ballot shall be held.

Article 18

Execution of
General Assembly

The General Assembly shall be responsible for the personal, organizational and financial management of the SCBF and have in particular the following powers and duties:

- to determine the Members or other authorized persons to represent the SCBF;
- to undertake the financial planning of the Association;
- to decide on the signatory power;
- to perform the bookkeeping;
- to prepare the Bi-annual Reports and the Annual Financial Statements for the Annual General Assembly;
- to prepare, and to execute decisions;
- to represent the Association vis-à-vis third parties.

The General Assembly may delegate its tasks wholly or in part to members of the General Assembly, the 'Pro poor' Banking and Insurance Steering Committees, the Administrator or third parties.

'Pro poor' Banking and Insurance Steering Committees

Article 19

Steering
Committees and
Sub-Committees

Under the General Assembly reside the 'Pro-poor' Banking and Insurance Steering Committees. Every member will join one or both Steering Committees. The General Assembly delegates project management to the 'Pro-poor' Banking and Insurance Steering Committees and ad hoc Sub-Committees according to Article 10.

The two Steering Committees may delegate their work to ad-hoc Sub-Committee of at least three Members for individual project proposals as set forth in the SCBF Policy & Procedures (Annex).

The work of the Sub-Committee Members shall be carried out free of charge as part of the membership contribution.

SCBF Administrator

Article 20

Facility
Management

The duties and obligations of the SCBF Administrator are set forth in the SCBF Policy & Procedures (Annex)

Auditors

Article 21

Auditors

The General Assembly may elect Auditors, which review the Association's accounting and annual financial statements and forward their report and proposal to the General Assembly. The Auditors need to be members of the Swiss Chamber of Auditors. The audit will be carried out as a limited audit.

General Provisions

Article 22

Liability

Liabilities of the SCBF shall be covered by its assets only. The members shall not be personally liable for the Association's debts.

Article 23

Financial Year

The financial year shall end on December 31 of each year, for the first time on December 31, 2012 if not otherwise decided by the Sub-Committee.

Article 24

Amendments

Modifications or amendments to the Articles of Association shall be approved by the next meeting of the General Assembly.

Proposed modifications and amendments shall be explicitly included in the notice convening this General Assembly and shall require the votes of three-quarters of all members present or represented.

Article 25

Dissolution

A resolution to dissolve the SCBF shall require the presence or representation in a General Assembly of at least three-quarters of all the members. The voting process shall proceed as stated in Article 17.

The dissolution of the Association shall be carried out by the Administrator. Upon dissolution, any remaining net assets of the organization shall be used in line with the objectives of the Association and be transferred to a tax exempted institution with similar objectives as the SCBF.

Article 26

Effective date

These Articles of Association were approved by the General Assembly of the Association on the 2nd of July 2013 and enter into force with retroactive effect on January 3, 2013.



Laura Hemrika
Chairperson of the SCBF



Markus Schär
Representing FIDES
in its role as Administrator of the SCBF

Annex: Operational Policy & Procedures

Operational Policy and Procedures

version as of the 2nd of July of 2013

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List of Abbreviations

CB	Capacity Building
Financial Institution	Any institutional type of formal financial institution, such as local and international insurance and reinsurance companies, micro and SME banks, postal and savings banks, commercial banks, development banks, savings and credit co-operatives, non-banking financial institutions and other types of microfinance institutions. If no suitable formal financial institutions are available or interested in collaboration, the SCBF may - as an exception – justify accepting also semi-formal financial institutions and insurance service companies.
FSW	'Feasibility Study Window'
PUW	'Product Up-scaling Window'
SC	Steering Committee
SCBF	Swiss Capacity Building Facility - Association for Income and Employment Generation
MSME(s)	Micro, Small and Medium Enterprise(s)

1. Targets

This document entitled “Operational Policy and Procedures” stipulates all operational policies and regulations for the SCBF in line with its Articles of Association and replaces the “SCBF Policy and Procedures” version as of 14.9.2012. The General Assembly may revise it with a qualified majority whenever required in line with its experience gained from promoting financial inclusion in the South.

The SCBF has the following targets:

- 1) Offer tailor-made capacity-building support to up to 65 financial institutions to assist them in up-scaling their ‘pro-poor’ financial services plus support in the preparation of feasibility studies and/or business plans for around 12 insurers, greenfield financial institutions and/or financial inclusion programmes transforming into regulated financial institutions.
- 2) Up to 65 financial institutions will expand substantially their outreach in a sustainable manner to around 640’000 new low-income clients thereby causing direct positive income and employment and/or risk mitigation effects for the latter (reaching around 3’200’000 low-income family members) within five years upon completion of the CB support. Some of the financial institutions will target small and medium enterprises which are the key drivers for economic growth and employment generation.
- 3) Trigger over time growing indirect income and employment multiplier effects, as new low-income clients will spend their additional income in the Bottom-of-the-Pyramid markets.
- 4) Up to 20 financial institutions aim to raise altogether approximately CHF 30 million of private equity and debt investments, notably from Swiss social investors, within five years upon completion of the CB support.

The eligible countries for the SCBF when using funding from SDC are listed in Annex 1, with the target that at least 50% of the capacity-building (hereafter referred to as “CB”) projects be located in SDC’s twenty priority countries and regions.¹ Other SCBF members as well as sponsors may fund CB projects in additional countries.

2. Organisational Set-Up

The members have mandated Financial Systems Development Services AG as the Administrator of the SCBF. Signatory power is given to the Administrator as well as the chairperson or vice-chairperson following a “four eyes principle”.

The SCBF is organised around the following two co-funding windows:

- 1) The primary ‘Product Up-scaling Window’ (hereafter referred to as “PUW”) co-funds the development, testing and launching of both client-oriented financial products and product distribution channels that meet the needs of low-income households, smallholders, and micro, small, and medium enterprises² (hereafter referred to as “MSMEs”) with a particular focus on women and rural areas.
- 2) The supportive ‘Feasibility Study Window’ (hereafter referred to as “FSW”) co-funds the preparation of feasibility studies and business plans (as well as related activities) that are pre-conditions for (1) introducing insurances services, and (2) transforming successful financial inclusion programmes into regulated financial institutions, and (3) establishing greenfield financial institutions in environments in which the existing financial institutions are unable or not willing to engage in inclusive financial services. The FSW helps preparing the groundwork for

¹ The eligible countries are defined by the “Botschaft über die Internationale Zusammenarbeit 2013 - 2016”. This document reflects the Swiss Parliament’s decision in which countries in the South SDC funds could be allocated to.

² Non-subsistence farmers do fall under MSMEs.

developing subsequent proposals for the PUW. It is earmarked for members and SDC partners only.

'Pro-poor' banking and insurance Steering Committees

The members have delegated work on decision-making and monitoring of CB projects and feasibility studies to two Steering Committees (hereafter referred to "SCs"), one related to 'pro-poor' banking products and the other to 'pro-poor' insurance products. Each member is requested to perform tasks of the SC concerned according to his/her professional competence. Members may engage in both SCs, if they possess expertise in 'pro-poor' banking and 'pro-poor' insurance.

The SCs are operational whenever at least three members ('six-eye' principle) convene via phone conference or in person at least five days upon notification of all members concerned. The SCs take decisions with a qualified majority of at least 66%, but aim at unanimous decisions. However, the members have a veto right on CB project approval in cases where justifiable reasons may indicate potential reputation risks.

The Administrator keeps track which SC each member has selected in line with his/her professional competence and co-ordinates the meetings of both SCs. Following the notification of a SC meeting by the Administrator, the members join SC meetings depending on their availability, interest, and professional competence provided that they do not face any potential conflict of interest.

In order to avoid any potential conflict of interest, members have to disclose any financial and other interests. In the case of a financial interest (e.g. the member's organisation or a related organisation (1) has proposed to implement a CB project proposal, (2) is a tenderer for a CB project approved, (3) is a shareholder of the financial institution concerned, etc.), the member is automatically excluded from decision-making related to the CB project selection and procurement process. In the case of other non-financial interest, the SC concerned has to decide case-by-case whether or not a member has to be excluded from decision-making.

The duties and responsibilities of the SCs are to:

- 1) Discuss and decide on all proposals for CB projects and feasibility studies on a first-come-first-serve basis within four weeks that have passed a 'pre-quality check' by the Administrator or a member in line with (a) the eligibility criteria for financial institutions in chapter 4, (b) the CB project selection criteria in chapter 5, and (c) the standardised application formats for the PUW in annex 3 and for the FSW in annex 4.
- 2) Supervise and approve the tender process of CB projects according to chapter 6.
- 3) Monitor progress of the CB projects - that may include a monitoring visit - and feasibility studies that take longer than five months. For each CB project and feasibility study, the SC concerned delegates the monitoring function to one member called Project Monitor. The Project Monitor can sub-delegate part of his/her monitoring tasks to colleagues of his/her organisation or to third parties.
- 4) Select strategic CB projects for which 'results-oriented' studies are contracted out and supervise and approve the contracting process.

Administrator

The duties and responsibilities of the Administrator are to:

- 1) Serve as secretariat of the General Assembly and the two SCs (with the non-staff office overheads offered free of charge). This encompasses the co-ordination and dissemination of information among the members, update and maintenance of the SCBF website, and the keeping of proper files on all relevant administrative and financial matters of the SCBF.

- 2) Receive CB project proposals and inform the Swiss competence centres, the non-Swiss competence centres endorsed by a member, and the social investors on the application procedures and selection criteria.
- 3) Organise phone or physical meetings for the two SCs to decide on 'pre-quality checked' proposals for CB projects and feasibility studies and prepare the minutes of these meetings.
- 4) Contract Swiss competence centres and non-Swiss competence centres endorsed by a member for implementing the approved CB projects and research institutes or specialists for carrying out 'results-oriented' studies - in compliance with the procurement regulations in chapter 6 - thereby ensuring that proper outreach indicators are included in the standardised agreements.
- 5) Co-ordinate the monitoring of the CB projects and feasibility studies for which selected Project Monitors are responsible for.
- 6) Link the financial institutions with the Swiss social investors by disseminating the CB progress reports to the latter with the consent of the former.
- 7) Prepare semi-annual progress reports of the SCBF.
- 8) Carry out the complete financial management of the SCBF, including the management of the SCBF trust fund account over which all financial transactions of the SCBF take place.
- 9) Organise annual audits of the SCBF trust fund account by an external auditor.
- 10) Support the two SCs in the effective project decision-making, monitoring and reporting systems.
- 11) Support the members in fund raising for, and marketing of the SCBF.

In order to avoid any potential conflict of interest, staff from Financial Systems Development Services AG and swiss microfinance holding working at the Administrator level will not deal with CB project proposals submitted by their own organisations.

3. Guiding Principles

The SCBF shall comply with international good practices by applying the following principles:

- ⇒ Through the PUW, CB support is tailor-made to overcome prioritized constraints that have so far hampered the financial institution concerned to up-scale its 'pro-poor' banking and/or insurance operations in a sustainable manner.
- ⇒ Through the FSW, the preparation of feasibility studies, including business plans, are supported to facilitate (1) the introduction of insurance services, (2) the transformation of successful financial inclusion programmes into regulated financial institutions, and (3) the establishment of greenfield financial institutions in environments in which the existing financial institutions are unable or not willing to engage in inclusive financial services.
- ⇒ The CB support per project proposal under the PUW shall be limited in scope by a co-funding ceiling of preferably 150'000 CHF - but a ceiling of up to 230'000 CHF is possible in selected cases where the SCBF accepts the effort of a two-step tender procedure as outlined in chapter 6 - and time by a maximum duration of two years. A feasibility study proposal under the FSW shall be limited in scope by a co-funding ceiling of 150'000 CHF and time by a maximum duration of one year.
- ⇒ Full ownership by the financial institutions shall be ensured by: (a) a cost-sharing mechanism according to which the financial institution pays for on average at least 20% of the contractual

value of the CB support³, and (b) a senior manager of the financial institution assuming responsibility for the CB project.

⇒ To maximise the 'value for money' of the members' donations by ensuring efficiency in the delivery of 'high-quality' technical assistance services. This implies, among others, the principles of:

- (1) Keeping the technical assistance teams rather small and favouring the longer-term deployment of consultants rather than flying in many short-term consultants.
- (2) Involving wherever feasible regional and local consultants instead of international consultants. An additional objective of the SCBF is thereby to help building local and regional consultancy markets.
- (3) Avoiding a direct subsidisation of holding companies providing in-house technical assistance at international consultancy rates. The SCBF requests full transparency regarding other funding sources to avoid any 'double funding'. As outlined in chapter, the SCBF will co-fund the monthly salary costs of staff seconded to affiliates from three up to 24 months, and 25% less for consultants based at the head office when delivering 50 and more days of services.

⇒ Full transparency is ensured by the following documentation:

At the CB project and feasibility study level:

- (1) Applications under the PUW and FSW in line with annexes 3 + 4.
- (2) Minutes of SC meetings.
- (3) one-page fact sheet of each approved CB project and feasibility study.
- (4) Execution Contracts in line with annex 5.
- (5) CB project milestone monitoring reports (milestone monitoring reports are required for feasibility studies only, if the process takes longer than five months).
- (6) Accounting records for all SCBF payments to competence centres.
- (7) Preliminary final result-oriented report according to the template and manual in annex 6 that has to be completed with outreach data three years upon project completion.
- (8) Selected 'results-oriented' studies of strategic projects.

At the SCBF level:

- (9) Minutes of meetings of the General Assembly.
- (10) Semi-annual progress reports.
- (11) Accounting records of all donations, inclusion technical expertise in-kind, and overhead expenses for the Association.
- (12) Annual audits of the SCBF trust fund account.
- (13) External mid-term evaluation report envisaged for Q3 2014.

The reports under (3), (7), (8), (10), (12), and (13) shall be posted on the SCBF website: www.scbf.ch

In addition, the SCBF will comply with the following international consensus guidelines for funders, performance indicators recommended by international platforms, and selected tools of SDC:

- ⇒ CGAP Good Practice Guidelines for Funders of Microfinance (2nd edition as of October 2006).
- ⇒ SDC: Accountability for Results. A Manual on Managing Cooperation in Financial Sector Development (December 2009).

³ On average at least 20% of the total costs of the CB project, but it can be lower for government-owned institutions and immature microfinance institutions with low profitability levels and should be higher for commercial banks.

- ⇒ Mix Market: Financial Performance Indicators and Social Performance System for Social Performance Indicators (updated version of January 2011).
- ⇒ MicroInsurance Network: Performance Indicators for Microinsurance. A Handbook for Microinsurance Practitioners (2nd edition as of October 2010).
- ⇒ MicroInsurance Network: Protecting the poor: A microinsurance compendium, Volume II, 2012.

4. Eligibility Criteria for Financial Institutions

The main eligibility criteria for financial institutions are:

- ⇒ If SDC funding is involved, the operations concerned shall take place in the countries listed in annex 1 with priority giving to SDC's twenty priority countries and regions. Other members are free to co-fund operations also in non-listed countries.
- ⇒ The financial institution makes a meaningful self-contribution according to its financial standing.⁴ In addition, it assumes 'full' ownership by appointing a senior manager as CB project co-ordinator.
- ⇒ Financial and institutional self-sufficiency is reached or the financial institution is on a clear path towards it. On a case by case basis, greenfield financial institutions with documented institutional and financial sustainability targets in their business plans will be considered.
- ⇒ Proven social mission in serving low-income clients, notably women, preferably in rural areas. As a minimum, the financial institution complies with responsible finance practices by signing and respecting the client protection principles advocated by the Smart Campaign and practising minimum governance standards.⁵
- ⇒ Sufficient potential of the financial institution to reach at least 4'000 new clients being low-income households, smallholders, and MSMEs.

5. Selection Criteria for Capacity-Building Projects

Key selection criteria for CB projects are:

- ⇒ Maximise outreach to low-income households, smallholders, and MSMEs in rural areas with particular focus on low-income women.
- ⇒ Innovative financial services and service delivery mechanisms with reduced transaction costs for both clients and financial institution that meet the specific financial needs of low-income women.
- ⇒ Innovative insurance and savings services with minimum transaction costs for both clients and financial institutions that help mitigate risks of low-income and vulnerable clients, notably in rural areas. Caution is given in promoting loan products with a strong attention to client protection issues, particularly in competitive financial markets with a high penetration rate of low-income households where a risk of client over-indebtedness exists. Consumer loan products are strictly excluded.
- ⇒ Training of staff of financial institutions and their agents in responsible finance practices vis-à-vis low-income and illiterate clients. Contributions to an improved financial literacy level of low-income actual and potential clients are desirable.

⁴ On average at least 20% of the total costs of the CB project, but it can be lower for government-owned institutions and immature microfinance institutions with low profitability levels and should be higher for commercial banks.

⁵ The SCBF insists on clear evidence of a proven social mission and the respect of the client protection principles (notably to avoid clients' over-indebtedness) so as to minimise potential reputation risks.

The two SCs are prioritising the above-mentioned key selection criteria by considering the particular country context which determines to an important extent to what degree the CB project proposals are innovative and may serve as demonstration for other financial institutions.

Apart from the co-financing of short-term technical assistance, the SCBF may co-finance specialists for up to 24 months, if medium-term institutional strengthening (e.g. coaching and training on-the-job of local staff) is required by (1) greenfield financial institutions, (2) financial institutions undergoing turn-around management or transformation, (3) financial institutions entering into new business lines (like e.g. micro insurance) or establishing new distribution channels, and (4) down-scaling banks. In the first two cases, the medium-term specialists should assume managerial responsibility at the management or board level to ensure that the operational functions concerned do develop or improve effectively.

Furthermore, the SCBF should prefer the co-funding of medium-term specialists compared to short-term specialists in all cases where medium-term specialists can achieve CB targets more efficiently and effectively than several short-term specialists flying in and out.

6. Procurement and Financial Regulations

Procurement of implementation of CB projects and feasibility studies

In the case of approved CB projects and feasibility studies up to a mandate volume⁶ of CHF 150'000 (excluding value added tax) that have been submitted by Swiss competence centres or non-Swiss competence centres endorsed by a member, the Administrator will contract them directly for project or study according to the template in annex 5. The daily rates of SDC mandates for international consultants in annex 2 shall be considered as maximum ceiling. The daily rates of local and regional consultants shall be in line with the rates offered by the SDC country offices, however, higher rates may be justified depending on the expertise offered.

In the extraordinary case of approved CB projects up to a mandate volume⁷ of CHF 230'000 (excluding value added tax)⁸, a two-stage tender procedure applies with the following characteristics:

- ⇒ The Administrator puts the Terms of References on the SCBF website so that Swiss competence centres can declare their interest in participating in the tender process within a two-week notice. In addition, the Administrator sends by e-mail a web link to all potentially interested Swiss competence centres.
- ⇒ Based on the long list, the SC decides on a short list of up to five tenderers.
- ⇒ The Administrator requests the short-listed tenderers to submit a standardised technical proposal (refer to annex 3), including the curricula vitae of the consultants, within three to five weeks depending on urgency and complexity. The tenderers receive the evaluation sheet according to which their offer will be assessed.
- ⇒ The Administrator evaluates the proposals received according to the evaluation sheet.
- ⇒ The SC concerned takes the final decision on the award of contract.

⁶ The mandate volume related to the co-funding share of the SCBF, but excluding the contribution of the financial institutions which mainly relates to the local cost components that cover per diem, accommodation and local travel and expenses.

⁷ The mandate volume related to the funding share of the SCBF, but excluding the contribution of the financial institutions which mainly relates to the local cost components that cover per diem, accommodation and local travel and expenses.

⁸ For the time being, the SCBF does neither anticipate nor exclude CB projects with a mandate volume above CHF 230'000 (excluding value added tax) that would require a full public tender procedure.

Procurement of 'results-oriented' studies

The above-outlined procurement regulations apply also to the conduct of 'results-oriented' studies with an abbreviated tender procedure for mandate volumes up to CHF 150'000 (excluding value added tax) and a two-stage tender procedure for mandate volumes between CHF 150'000 and CHF 230'000 (excluding value added tax). The SCs may consider for conceptual and efficiency reasons to tender out several 'result-oriented' studies to one research institute.

Financial Regulations

In the case where there is no tender procedure with a financial offer, the standard SDC rates for Swiss/international consultants apply as maximum ceilings for consultants that deliver less than 50 days, as stipulated in annex 2. In the case of in-house consultants of holding companies being deployed at their affiliate for three and more months, the SCBF is covering the effective monthly salaries (refer to annex 2).

In the case of in-house consultants of the mandated competence centre that offer 50 (fifty) and more days to one single project, the SCBF co-funds 25% lower consultancy rates (refer to annex 2).

In the case of deployments of in-house consultants at the partner financial institution for three and more months, the SCBF co-funds the effective monthly salary based on the evidence of the real costs. The self-contribution of the holding companies consists of the accommodation and travel costs. In the case of consultancy companies, the SCBF also funds - apart from the effective monthly salary - a 10 to 20% margin depending on the level and services provided by the consultancy company can be charged. A 10% margin applies, if consultancy companies just offer the contracting of freelance consultants without any project development and backstopping.

The rates for local and regional consultants shall be consistent with market rates and in line with the rates of the SDC country offices, if available. The relevant SDC country office needs to be consulted. If the proposed rates are above the range accepted by the SDC country office, the competence centre has to provide a justification for this deviation.

The Administrator shall pay consultants fees only. In the cases of financial institutions owned by government or still with low profitability, the SC concerned may decide to co-fund international economy class flight costs as well.

The financial institutions shall pay as part of their self-contribution first all applicable local costs, such as local transport, accommodation and per diem of the consultants. If the total local costs are below the amount of their self-contribution, they shall pay the proportionate part of the fees directly to the competence centres in consultation with the Administrator. If the total local costs are above the amount of their self-contribution, the Administrator will pay the proportionate share of the per diem. The per diem rates of the Swiss Government apply for all. The per diem will be paid as lump sum payments without the need for documenting actual expenses.

All involved competence centres shall not be paid any additional expenses so as to simplify financial management by the Administrator. Visa fees, airport departure taxes, communication costs and travel to the airport in the home country are deemed to be part of the fee.

The Administrator shall contract all competence centres concerned in line with the template in Annex 4. The Administrator shall preferably pay out 50% upon signature of the contract, up to 40% during the project period, and the remaining 10% upon acceptance of the services by the Project Monitor. The Administrator can adjust the payment schedule according to the project cash flow on an individual basis.

The Administrator shall make all financial transactions in line with the decisions of the SCs via SCBF's trust fund account. The members and other sponsors shall transfer their financial contributions to this account only. Updated account statements are part of the bi-annual progress reports.

The accounting year of the SCBF is in line with the calendar year. An external auditor selected by the General Assembly shall carry out an annual audit of the SCBF financial management and its trust fund account to be completed by the end of May of the following year.

7. Management Process for Capacity-Building Projects and Feasibility Studies

The following sequential steps apply for the CB project management process:

- 1) The Administrator receives CB project proposals from members, Swiss social investors, Swiss competence centres, competence centres endorsed by a member according to the template in annex 3. On request, the Administrator provides explanations on how to apply the template. Only members and SDC partners can submit feasibility study proposals according to the template in annex 4.
- 2) A volunteering member - becoming likely the Project Monitor - or the Administrator assesses the CB project or feasibility study proposal according to the eligibility and selection criteria in the above chapters 4 and 5. If essential information is missing or the application is not fully in line with SCBF priorities, the applicant is requested to complement and/or adapt its application. Information may have to be cross-checked with the financial institution concerned, including the latter's commitment to the self-contribution indicated.
- 3) The Administrator submits the 'pre-quality checked' CB project or feasibility study proposal for decision-making to the SC concerned.
- 4) If approved, the Administrator ensures that the competence centre prepares a one-page fact sheet and applies the procurement regulations in chapter 6. If rejected, the Administrator informs the applicant about the decision of the SC concerned and the rationale for its rejection.
- 5) The Administrator prepares a service contract according to the template in annex 5 and exchanges with the financial institution concerned about the payment of the self-contribution agreed upon. The Administrator verifies whether the financial institution is interested in being linked with the Swiss social investors through dissemination of the CB project progress reports.
- 6) Upon signature of the lump sum service contract with the competence centre, the Administrator pays 50% as advance payment.
- 7) The competence centre has to provide CB project progress reports aligned to milestones and according to a standard template to the assigned Project Monitor (milestone monitoring reports for feasibility studies are required only, if the process takes longer than five months). The Project Monitor assumes the responsibility to ensure that progress reports are provided by the competence centre in accordance with the agreed implementation plan. The Project Monitor assesses the reports and shares results with the Administrator and the SC concerned on a regular basis.
- 8) Upon completion of a CB project, the Administrator requests the financial institution to fill in a one-page standard evaluation sheet on the quality of capacity-building received and submits this evaluation sheet together with the preliminary final report according to the template and manual in annex 6 to the Project Monitor for approval. In the case of feasibility study, the Project Monitor receives the feasibility study from the competence centre on a confidential basis for approval and informs the Administrator accordingly.

Upon approval of the preliminary final CB project report or the feasibility study by the Project Monitor concerned, the Administrator pays the remainder to the competence centre. The Administrator will request the competence centre to complete the final report three years upon project completion so as to better capture the outreach and other results achieved during this period.⁹ No final report is required for feasibility studies.

⁹ This is because of the time lag it takes for the results triggered by the introduction of new products and/or distribution channels.

8. Monitoring and Reporting

The Administrator shall prepare the following minutes and reports:

- ⇒ Minutes of each meeting of the General Assembly and the SCs.
- ⇒ Bi-annual progress reports covering the first and second six months of the calendar year to be submitted to the members latest by 30th of July and 30th of January of the following year, respectively. They shall contain (1) one-page fact sheet, (2) illustrative display of the portfolio broken down by region, type of financial institutions, type of support related to financial products and distribution channels, (3) main decisions taken by the members, (4) main events and challenges faced, (5) an overview of all CB projects and feasibility studies under both windows in matrix format, differentiated by their status of (i) completed, (ii) under implementation, (iii) suspended, and (iv) approved, but not yet started, (6) a status on the pledges and actual contributions of the financial and human resources of each member, and (7) a financial report on the expenses and income, including a bank statement of SCBF's trust fund account.
- ⇒ One-page standardised fact sheet for each CB project and feasibility study approved under both windows to be updated regularly.

The Administrator and the Project Monitor shall ensure that the competence centres concerned prepare the following project reports:

- ⇒ Short project milestone-based progress reports that inform on the status of project execution with focus on the achievements of milestones as indicated in the project implementation plans¹⁰. They indicate main bottlenecks and challenges and required adjustments of the original implementation plans.
- ⇒ Four- or five-page final CB project reports according to the template in annex 6. A preliminary version is due upon project completion and the final version three years after project completion to track the time-lagged results achieved at client, financial institution and eventually sector level.

The Administrator shall request verification from the competence centres concerned on the actual use of consultancy services (mainly in terms of time sheets of the specialists financed) as justification for payments.

9. 'Results-oriented' Studies

The SCBF requests simple 'results-oriented' final reports for all CB projects under the PUW that capture at least 2-3 client testimonies, number of new clients reached per financial product and differentiated by gender and area (i.e. urban/rural), and the change in market positioning and operational capacity of the financial institutions supported.

In order to receive further information on the outcomes and impacts of the CB support of the SCBF, the SCs may contract out specific 'result-oriented' studies on the CB support offered to selected financial institutions.

¹⁰ The project implementation plan on Excel is an integral part of the project application and becomes - with modifications as requested by the SC concerned - an integral part of the Project Execution Contract.

10. Marketing and Public Relations

All members are committed to ensure a clear and effective presentation of the SCBF's message to the media and the community, ensure a clear and understood strategy for communicating a consistent message to the media, and avoid any misunderstandings or misquotes. The logo of the SCBF shall be used.

Each member is entitled to put public documents of the SCBF on its own website and to add information that are correct and consistent with the latest version of the SCBF Articles of Association and Policy & Procedures and other relevant decisions of the SCs and/or to disseminate such information via electronic or hard copy newsletter. The members are obliged to provide all members with such information without delay.

The SCBF has no official spokesperson, as each member shall handle its media releases and media enquiries responsibly by its own media unit in fullest compliance with the latest version of the SCBF Articles of Association and Policy & Procedures and other relevant decisions of the General Assembly. Each member is obliged to provide all members with such information without delay. Use of logos from other members and direct quotes from other members are not allowed, except with prior consent by e-mail.

In the case of potentially critical issues for the SCBF or even a crisis situation, each member - according to its own prudent judgement - shall consult with the other members in writing (by e-mail) about the contents of media releases and responses to media enquiries. If the General Assembly may then decide to delegate the handling of specific media enquiries to professional media specialists, the press department of the Swiss Ministry of Foreign Affairs would assume such tasks.

The Administrator has only an assisting role to play in the marketing and public relations of the SCBF according to the requests of the General Assembly.

The members can market specific CB projects as their 'own' CB projects provided that they have mobilised either the full funding or the full manpower (direct implementation) for implementation. However, this requires a co-ordinated prior agreement by the General Assembly to ensure that a member would claim a particular CB project as its 'own'.

All members shall engage in fund raising, public relationship building, and in the marketing of the SCBF. Competence centres are requested to indicate the sponsoring role of the SCBF in all their relevant documentation and marketing materials that relate to a CB project co-funded by the SCBF.

Annex 1: List of eligible SCBF Countries related to SDC funding¹¹

Western & Southern Africa	Eastern Africa	Asia	Latin America	MENA
SDC priorities countries and regions (target: <u>at least 50%</u> of SCBF projects)				
Benin Mali Burkina Faso Niger Tschad Southern Africa: (Swaziland, Zambia, Malawi, Zimbabwe, Lesotho,)	Tansania Mozambique Great Lakes: (Rwanda, Burundi, Eastern Congo) Horn of Africa: (South Sudan, Ethiopia, Somalia, Northern Kenya)	Bangladesh Nepal Mongolia Mekong Region: (Laos, Vietnam, Cambodia, Myanmar*) Hindukusch Region	Bolivia Haiti Cuba* Central America: (Nicaragua, Honduras)	Palestine + North Africa: (Egypt, Morocco, Tunisia, Libya)
Other countries also eligible for the SCBF with SDC funding				
Senegal Cameroon Ghana Sierra Leone Liberia Ivory Coast Nigeria	Madagascar	Pakistan India Afghanistan Sri Lanka	El Salvador Guatemala Peru Ecuador	Jordan Libanon Syria* Yemen

* Zurich Insurance Company Ltd will not contribute any support, financial or in-kind, to capacity building projects that involve Iran, Syria, Cuba, Sudan, Myanmar/Burma and/or North Korea. Further countries may be added to the list as Zurich's trade and economic sanctions policy changes. Depending on the nationality and residence of Zurich personnel engaged in the capacity building activities of the SCBF, further restrictions may apply.

* Credit Suisse AG will not contribute any support, financial or in-kind, to capacity building projects that involve **Cuba, Syria**, North Korea, Iran, Sudan and/or Burma/Myanmar. Further countries may be added to the list as Credit Suisse's trade and economic sanctions policy changes. Depending on the nationality and residence of Credit Suisse personnel engaged in the capacity building activities of the SCBF, further restrictions may apply.

Annex 2: List of maximum daily rates for international consultants

Capacity	Relevant experience	Maximum daily rate
International Senior Expert in microfinance and/or microinsurance	More than 15 years	≤ CHF 1'300.- ≥ 50 days: reduction by 25%
International Expert in microfinance and/or microinsurance	Between 10 to 15 years	≤ CHF 1'100.- ≥ 50 days: reduction by 25%
International Junior Expert in microfinance and/or microinsurance	Between 5 and 10 years	≤ CHF 900.- ≥ 50 days: reduction by 25%
International, regional or local expert on site in management function	Also very junior specialists are eligible, if supervised by a senior person	Period from three months: effective monthly salary applicable based on real costs (plus 10-20% margin for consultancy companies, but not holding companies)

¹¹ The other members may fund CB projects and feasibility studies also in other countries of their own choice.