Microfinance Reporting Standards Initiative

Business Models Review

The SEEP Network

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Microfinance Financial Reporting Standards, Business Models Review

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Abstract

As microfinance grows globally, developing commonly agreed-upon reporting standards is becoming more and more important to the credibility, standardization, and long-term prospects of the industry. This paper draws on examples from the mainstream accounting standards world, as well as from other industries with accepted standards, to illustrate the importance of, and best practice in, standards bodies to develop, maintain, and promote reporting standards within an industry.

IASB and FASB provide key examples of bodies that evolved, over time, out of existing organizations, and can inform the development of a Microfinance Reporting Standards Initiative (Reporting Standards Initiative). After examining different standards bodies and other organizations, several critical actions have been identified to create a successful reporting standards body in the microfinance industry:

1. Promote stakeholder engagement in a participatory process and build stakeholder confidence in the new body and its authority to set standards and rules.
2. House the body within an existing, respected microfinance organization, until it is stable and recognized enough to “spin out” into an independent entity.
3. Support the perceived and real independence of the initiative and the eventual new body, in order to maintain trust among stakeholders.
4. Ensure sufficient and diverse capital to finance the new body without compromising its independence.
5. Keep the effort tied to the microfinance industry, for now, while keeping open the option to join a larger body such as IASB.
6. Seek advice of standards bodies outside of microfinance. MFIs cannot and should not do it themselves.
7. Create incentives for microfinance institutions to adopt and comply with standards, and to provide feedback to the standards body.
8. Build capacity to work with governments and national and regional professional bodies.

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1. Background and Introduction

The microfinance industry continues to mature: attracting clients and investors, growing portfolios, and welcoming business innovations. With these successes, though, comes a critical need for adequate management oversight, management information systems, and information technology that maintain and produce accurate, standardized financial reporting—especially since microfinance institutions (MFIs) as a whole have been somewhat slow to adopt technology to improve operations. To date, the microfinance industry does not have a central body or mechanism to address compliance or update financial reporting standards.

Apart from outside reporting factors, MFIs have internal operational and performance incentives to improve their reporting, and the time is right for the microfinance industry to advance this need collectively. In 2005, The SEEP Network published the first update on microfinance reporting standards in 10 years—the result of a consensus process that engaged practitioners, donors (including CGAP), investors, and other stakeholders. The "Framework," as it is commonly called, is currently considered the industry standard, although admittedly it does not address all aspects of financial performance management.

At the 2007 SEEP Annual Conference and Annual General Meeting, the SEEP Network Financial Services Working Group (FSWG) members identified financial reporting standards as one of SEEP's top priorities and created a special FSWG sub-committee to address it. Work in 2008 included publishing a white paper,[1] conducting an industry survey, and facilitating stakeholder engagement through face-to-face and group discussions and fora. This report is a major step forward for the initiative and reviews potential business models for the Microfinance Reporting Standards Initiative ("Reporting Standards Initiative"). The initiative is open to input, opinions, and volunteer contributions from everyone to improve reporting standards and advance the industry overall.[2]

This overview examines a number of institutions with similar mandates for standards in a variety of operational, technical, and accounting fields. It also compares the efforts of these different industries to establish standards and offers suggestions on how to tailor best practices to the unique characteristics of the microfinance industry. A deeper review of two accounting standards bodies is included, as well.

2. Detailed Review of Two Standards Boards

Two models that offer significant insight for microfinance reporting standards are the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB). These institutions set the standards for the global field of accounting.[3]

For this report, we reviewed the history of the IASB and FASB and their current organizational structures, and compared their models and frameworks. Both standards boards began as working groups and committees within professional associations. As the activities grew, these small groups evolved to their current, extensive structures today. More comparative details are provided in the Appendix.

1 Peter Wall, Blaine Stephens, Steve Wardle, Radi Mitov, Bill Tucker, and Ruth Dueck Mbeba. 2008. "Microfinance Reporting Standards Committee Concept Note," Microfinance Reporting Standards Sub-committee of the Financial Service Working Group (Washington, DC: The SEEP Network). www.seepnetwork.org/content/article/detail/6172

2 More information is available online at www.seepnetwork.org/content/article/detail/6172

3 We also reviewed rating companies, including Moody's and Standard and Poor. They are not presented here because they are private companies which charge fees for their services and their business models are less applicable to this initiative.

2.1 International Accounting Standards Board (IASB)

International Accounting Standards Committee (IASC) was founded in 1973 through an agreement among independent accounting bodies in Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom, Ireland, and the United States, driven by the need to standardize international accounting practices and terms. Initially, it was composed of volunteer representatives from 13 countries and three international organizations. Members designated two representatives and one technical advisor to serve on different committees. Its board of trustees had additional non-voting observer members from the International Organization of Security Commissions (IOSCO), the Financial Accounting Standards Board (FASB), and the European Commission, among others.

IASC had a number of voluntary advisory groups to support its activities, namely the Consultative Group, Standard Interpretations Committee, Advisory Council, and Steering Committee. After 25 years, IASC formed the temporary Strategy Working Party in 1997 to review process effectiveness. This committee's major task was to merge national and global accounting standards.

Principal Aims

The IASC foundation is incorporated and was founded in London England. Incorporated as a not-for-profit, its mission was and is today to provide the world's integrating capital markets with a common language for financial reporting. It became the parent entity of the International Accounting Standards Board (IASB), a subsidiary established as an independent body to set accounting standards. This structure continues today, serving more than 100 member countries which abide by its standards.

The IASB has two principal aims: 1) develop and issue International Financial Reporting Standards and Exposure Drafts, and 2) approve interpretations developed by International Financial Reporting Interpretations Committee (IFRIC).

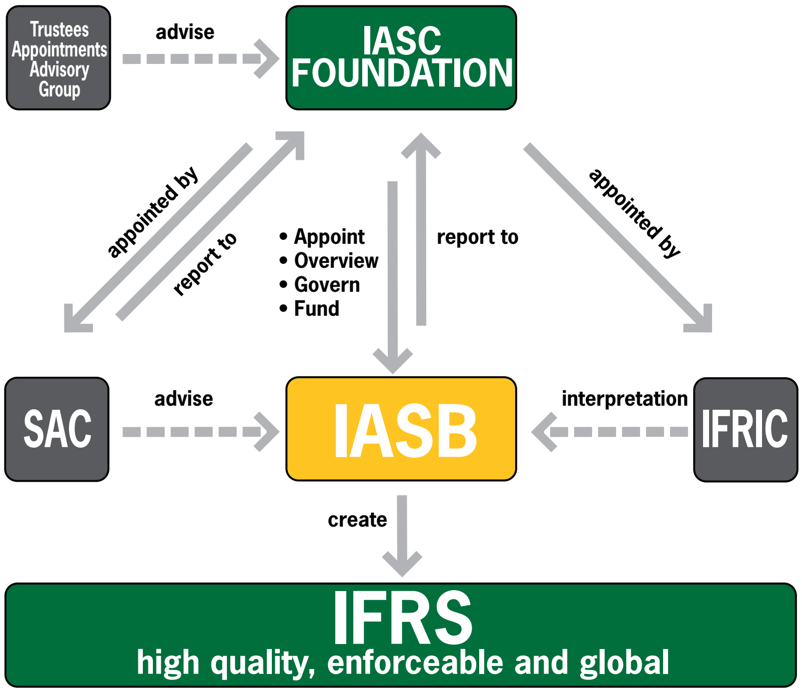
Organizational Structure

Currently, IASB has five primary components (the figure below shows how they interact):

- *International Accounting Standards Committee* (IASC) Foundation (22 trustees, no staff) oversees IASB and its structure and strategy, and is responsible for fundraising. Since 2005, the trustees represent these regions: North America (6), Europe (6), Asia/Oceania (6), and other regions (4). The trustees vote by simple majority and constitutional changes require a three-quarters majority.
- *International Accounting Standards Board*, or IASB (12 full-time and 2 part-time staff) has sole responsibility for establishing International Financial Reporting Standards (IFRS).
- *International Financial Reporting Interpretations Committee*, or IFRIC (14 members), develops the interpretations for approval by IASB.
- *Standards Advisory Council, or SAC* (20 members), provides a forum where IASB consults individuals and representatives of organizations affected by its work. It is committed to the development of rigorous International Financial Reporting Standards (IFRS). The council

supports IASB by promoting the adoption of IFRS world-wide. This includes publishing articles supportive of IFRS and participating in public meetings.

- *Working Groups* serve as expert task forces for individual projects.



Source: IAS website, www.iasplus.com/restruct/restruct.htm#Top

IASB's current organizational structure offers numerous advantages:

1. The IASC Foundation's legal structure enables it to raise funds through donations, member fees, and government contributions. Fee-paying members are accounting firms and international corporations.
2. The IASC Foundation focuses on strategic questions and administrative functions as separate responsibilities from setting reporting standards.
3. The separate strategic and administrative sections enable it to objectively assess its effectiveness. There is a process to ensure that SAC and IFRIC fulfill their support roles effectively.
4. IASB's status as an independent body, while cooperating with national accounting entities, gives it leverage with the practitioners who are members of these bodies to enforce compliance with the accounting standards.
5. Trustees are independent experts in accounting and finance. They only provide information to the industry and are not involved in administration or governance. They

are appointed by the IASC, chosen from its members, and operate through subsidiary entities.

6. Through the SAC, IASB can get feedback from the end users of its standards. It believes that, in order to promote its standards and keep them in line with current practices, the community must provide ongoing input.

Financing Model

The IASB Foundation is funded through the financial commitments (of up to five years) of accounting firms, industrial corporations, financial institutions, central banks, and other international and governmental organizations. IASC does the fundraising, which is a separate function from the standards activities.

2.2 Financial Accounting Standards Board (FASB)

Historically, the accounting standards and procedures in the United States were established by the Accounting Principles Board of the American Institute of Certified Public Accountants. In 1973, the Financial Accounting Foundation (FAF) was launched as an independent, private-sector organization to:

- establish and improve financial accounting and reporting standards;
- educate constituents about those standards;
- administer the standard-setting boards—Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), and Advisory Councils;
- select the members of the standard-setting boards and advisory councils; and
- protect the independence and integrity of the standard-setting process.

Principal Aims

FASB is responsible for the development of private sector accounting standards. It is granted all power and authority by FAF to set standards for all non-governmental, public, private, and not-for-profit enterprises. Its standards are officially recognized by the Securities and Exchange Commission4 and the American Institute of Certified Public Accountants.

Its mission is to establish and improve standards of financial accounting and reporting for the guidance and education of the public, including auditors and users of financial information. FASB works on accounting concepts and standards, through research, to gain new insights and ideas. Activities are open to public participation, and views are actively solicited from membership groups.

4 The SEC has statutory authority to establish financial accounting and reporting standards for publicly held companies. Throughout its history, the SEC has relied on the private sector for this function, as long as the private sector can demonstrate it is fulfilling this responsibility in the public interest.

In 2002, the Sarbanes-Oxley Act amended the U.S. Securities Act of 1933 by broadening the scope of FASB, so that it can,

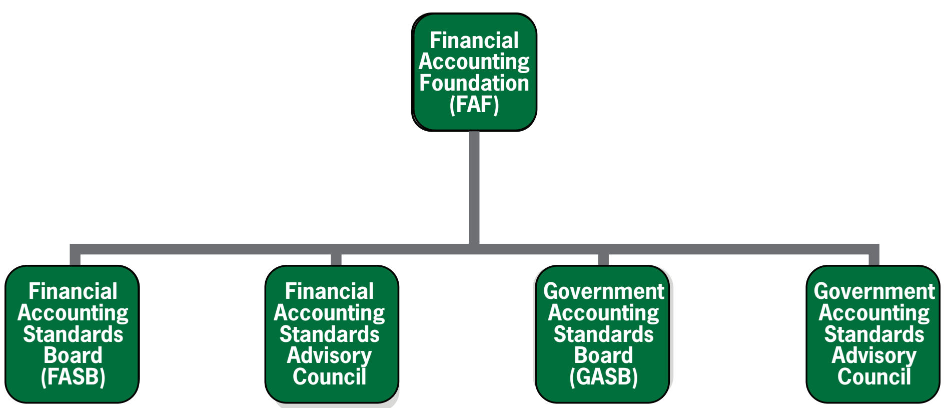
- be organized as a private entity;
- have a board of trustees;
- be funded, per section 109 of the Sarbanes-Oxley Act, by fees from publicly traded companies, based on market capitalization and sales;
- ensure prompt decisions by adopting procedures with a majority vote; and
- keep standards current for the protection of investors.

These changes effectively made FASB a quasi-governmental agency with "the effect of law."

Organizational Structure

The membership of FASB is composed of industry players, including banks, public accounting firms, and certified public accountants. The members of its board of trustees are nominated by eight sponsoring organizations: 1) American Accounting Association, 2) American Institute of Certified Public Accountants, 3) Association of Investment Management and Research, 4) Financial Executives International, 5) Government Finance Officers Association, 6) Institute of Management Accountants, 7) National Association of State Auditors, Comptrollers, and Treasures, and 8) Securities Industry Association.

FAF is a U.S. non-profit organization. It and all of its subsidiaries are located in Norwalk, Connecticut. The figure below demonstrates the relationships among the entities.



Like IASB, FASB works closely with its end users. It provides a consistent voice from the private sector which informs and advises on standards. As with IASB, FASB was intended to be independent of government control, although its budget is now government mandated. FASB's legal and organizational structures are similar to IASB's. Its original organization was an accounting body, which certified members and promoted high quality, uniform standards.

Financing Model

Today, FASB's money comes from accounting support fees, per the Sarbanes-Oxley Act. Expenses include salaries and employee benefits for the board, research staff, and advisory council. FASB salary expenses were 70 percent of total costs in 2007; the remainder was administrative expenses.

Before Sarbanes-Oxley, funding came from product and publication sales and membership fees. For example, in 2002, publication sales and memberships totaled US$ 13.3 million and $14.8 million, respectively. Expenditures included cost of goods sold and salaries. In 2001 and 2002, it had operating surpluses of $9 million and $6.5 million, respectively,[5] sufficient to allow it to operate without public or government money.

3. IASB and FASB as Models

This reporting standards initiative examined the common characteristics of IASB and FASB more deeply in specific areas, particularly legal structures, organizational structures, capitalization, and business models. From these characteristics, lessons were drawn that best fit microfinance and the recommendations that follow.

3.1 Legal Structure

Both IASB and FASB are housed within a larger family of entities. The parent or umbrella organizations are foundations, registered as U.S. non-profits, which clearly indicate their social missions. This type of structure also provides flexible options for raising funds through donations, government support, and/or member fees. Both institutions have numerous sub-entities, each with a separate legal charter to delineate its specific role in determining financial and accounting standards and rules.

It is crucial to understand the historical evolution of these organizations' legal structures. Both IASB and FASB began as working-group activities of member associations. They developed as a result of long-term planning, strategic positioning, and industry involvement over a long period of time.

➢**Recommendation:** This initiative should mirror the legal structures of IASB and FASB, and use the lessons from their histories. It, too, can develop within an existing service institution or member association. What is most valuable is to create an entity to host a secretariat, with diverse representation from throughout the industry, to raise funds legally. It is not necessary to create a new institution at the outset.

3.2 Organizational Structure

IASB and FASB use a two-tiered framework, where a central body—the registered foundation—handles administrative functions and strategic planning, appoints board members, and raises funds. The technical advisory councils, also called boards, are appointed by this administrative unit, but operate independently.

5 FASB annual report

The councils are made up of professionals from a range of interested groups of end users, such as accounting bodies, in the private sector.

The technical standard-setting sections of IASB and FASB have discrete demarcation of duties, as well as a "firewall," that separate activities and people establishing rules and standards from those, for example, in fund-raising and advocacy. This increases transparency and trust, assures users of the objective and technical merits of decisions, and spurs adoption of the standards.

➢**Recommendation:** The industry body that drafts the financial reporting standards should have separate sections. This will minimize the risk of "the fox guarding the henhouse." Standard-setting duties should be clearly delineated from administration, fund-raising, and marketing.

3.3 Capitalization

Both IASB and FASB had modest beginnings as "public goods" in terms of their mission. They were clear "cost centers" initially as the offshoots of accounting industry associations in the 1970s.

Early efforts to draft standards appear to be similar across industries. Initial efforts are funded as programs within associations and, once there is an operating initiative, user fees are based on an organization's size and sales. Both of these mature standards institutions are financially self-sufficient, but they began as subsidized programs within a specific professional membership.

➢**Recommendation:** The Reporting Standards Initiative would benefit from subsidized support early on while it establishes itself and earns an industry mandate. It needs the participation and capital contribution of MFIs, accountants, investors and other stakeholders – because they are the chief implementers and users of financial standards. With initial philanthropic seed capital, it could develop activities and products to generate income.

3.4 Business Models

Standards bodies have a range of income models. IASB and FASB today are both financially self-sufficient. FASB has been backed by U.S. law with the passage in 2002 of the Sarbanes-Oxley Act and has U.S. government funding. The IASB and FASB business models include:

- initial subsidy as part of a membership association;
- membership fees collected from all members;
- user fees based on size and sales;
- products, mostly educational, such as publications, trainings, and conferences; and
- an endowment that provides ongoing financial support.

➢**Recommendation:** Follow the IASB/FASB example and house the initial standard-setting body within an existing organization. Work to become self-sufficient through activities that generate income, such as subscriptions, user fees, and membership fees. Hold off development of educational products until the industry commits to and adopts standards. These products could even be outsourced to a standards body or licensed to a specialized entity.

4. Structural Options

Below are four options for structuring this initiative in microfinance. They are listed in order of simplest to most complex, and are based upon IASB/FASB stages of development and the recommendations above.

1. ***Create a volunteer committee of experts to set standards.***

   PRO: IASB and FASB's initial international boards consisted of volunteer representatives and experts from the founding member organizations. IASB had other committees supporting the initiative, including a steering committee and an advisory committee for sector feedback.

   CON: Such committees can only function viably if the participating organizations allow staff members to dedicate time to the initiative, if the industry accepts the authority of the committee and recognizes it as a legitimate representative of the stakeholders. There are also limitations to standards dissemination, authority, and efficiency (again, due to the volunteer status of those involved and volunteer basis of compliance). Additionally, this structure may become less effective over time.

2. ***House the initiative within an existing MFI or support organization.***

   PRO: An existing organization could provide a secretariat to support an advisory or technical group of experts and stakeholders. This is a sound way to launch the initiative with initial grant support. In the recent industry survey on adopting reporting standards, respondents suggested The SEEP Network, the Microfinance Information Exchange (the MIX), and the Consultative Group to Assist the Poor (CGAP) to house this initiative.[6] The choice of the host organization is particularly important in terms of participants' comfort, access, and—most of all—the image projected to external groups, such as IASB. After extensive dialogue with the three suggested organizations, they collectively recommended The SEEP Network.

   CON: Housing the standards body should be a formal, written arrangement or agreement to ensure separation of roles and responsibilities. The worst case scenario would be excessive oversight by the host organization, which could compromise standards set. Even the perception of compromise would be enough to undermine objectivity and acceptance. Additionally, there is a "brand risk" if the parent organization does something counterproductive to the reporting standards effort.

3. ***Create a stand-alone, two-tiered structure.***

   PRO: IASB and FASB both have discrete administration (including fund-raising) and actual standard-setting functions. Distinct entities under one umbrella can show

6 See MFI Financial Reporting Standards Survey Brief, www.seepnetwork.org/files/6171_file_MFRS_survey_results_1.8.09.pdf

clear separation of missions, duties, and personnel. This would ensure the committee's standing and independence, and its mission and purpose could be clearly identified.

CON: A stand-alone structure is more capital-intensive than a volunteer committee or one housed within an existing institution. It also would begin with no name brand recognition.

4. ***House or link the initiative within an existing accounting standards board.***

   PRO: This option would lend considerable credibility to the new initiative. As part of a larger, established entity (such as IASB), the host would add considerable value in terms of branding and funding. IASB currently has working groups addressing standards in other sectors, so there is a precedent for this. This was a top choice in the recent industry survey: nearly one-quarter of respondents selected it[7]

   CON: IASB has not been involved in efforts to set microfinance standards as a separate sector to date. Given the low profile of microfinance as a commercial initiative, more work needs to be done to realize this possibility. IASB's working groups all developed gradually, with considerable involvement of accounting professionals. An additional concern is the potential loss of influence over the process by microfinance practitioners.

➢**Recommendation:** Exploring these options to determine the best fit for microfinance included extensive discussion with microfinance stakeholders. It included recommendations from accounting professionals and responses to the industry survey. Based upon this broad input process, we developed a "hybrid" recommendation:

Work toward option #3 (a two-tiered structure), initially housed within an umbrella organization as a secretariat (option #2). Administration of the initiative can come from an existing organization. The goal is to grow the initiative into a functional, representative body. With the proper foundation, a strong, independent entity can emerge, able to stand on its own, with its own funding, and/or be placed within an existing accounting standards body (option #4).

5. Applying Best Practice to a New Standards Body

The microfinance industry has been working diligently on the "what" and "how" of developing a standards body, and investigated a number of standards bodies in different industries. After analyzing and comparing different standards organizations (see table in appendix), we identified key elements to successfully create a thriving entity for standard setting in the microfinance industry.

7 Ibid

5.1 Key Elements for Success

1. ***Build stakeholder confidence.*** All successful standards bodies must have a critical mass of acceptance by practitioners. The wireless communication industry ensured acceptance of its standards by appealing to the self-interest of the largest corporate players. For IASB and FASB, it was the accounting professionals' participation and companies' compliance. Not all of the institutions investigated had universal participation or acceptance, however. Standard setting is an evolutionary process that requires a flourishing presence in an industry for widespread adoption.
2. ***Support the independence of the initiative.*** This initiative needs to be seen as coming from a place of authority and must gain the acceptance (or legitimacy) of "the establishment," while maintaining its independence, transparency, and industry-wide coverage. To support its objectivity, the body should not be run by a government entity or be too dependent on a few companies or organizations. If housed in an existing organization, efforts to ensure independence and public perception of independence are critical.
3. ***Ensure regular, sufficient capital flow.*** If the entity has to struggle for capital, it can jeopardize its reputation as being objective and could be perceived as sacrificing equitable standards in order to raise funds. Some standards bodies have endowments to ensure regular cash flow. The microfinance standards body, therefore, needs to have 1) sufficient and diverse grant or donor support, 2) a critical mass for subscriptions, and/or 3) valuable products desired by the marketplace. Currently, the microfinance field is small and fragmented, subsidized support is already present, and—most striking—reporting standards activity is not driven by accountants. Given the industry dynamics, in the short term, it is most realistic for the microfinance initiative to be philanthropically or donor supported.
4. ***Keep the effort tied to the microfinance industry, for now.*** It makes sense for this initiative to stay within the microfinance industry at first. It needs to build up competency with vehicles like International Financial Reporting Standards (IFRS), increase the numbers of MFIs that follow best practice in financial reporting, promote exchanges with accounting professionals, move toward an international platform (e.g., IFRS's standards for small businesses or financial institutions), and develop relationships with organizations such as IASB. This will foster an environment that encourages less mature MFIs to work toward compliance, which will fuel standards work.

   An optimal long-term goal is for the effort to be connected to a larger financial reporting standards body, such as IASB. The microfinance industry initiative does not yet have the scale, industry coherence, track record for using standards, or attention by accounting professionals to gain traction with IASB. As MFIs attract more and more commercial capital and become subject to central banking supervision as regulated entities, financial reporting standards will become crucial and will need to be compatible with accounting and reporting standards that govern international commercial entities.

5. ***Involve standards bodies outside of microfinance.*** Microfinance can be insular and self-focused, so it is vital that a wide range of microfinance industry stakeholders are involved. Accountants who abide by mainstream financial reporting standards have the expertise necessary to pursue and support this initiative. FASB and IASB have built a regimented process for standard setting and a method of working through professional accounting channels. The microfinance industry can build a similar structure to serve its stakeholders.

6. ***Build capacity to work with governments and/or national professional bodies.*** In addition to not understanding the microfinance industry, national regulatory requirements (accounting standards and central banking regulations in different countries) often compete with microfinance industry efforts. To maximize industry universality, the Reporting Standards Initiative must learn to communicate with governments and accountants worldwide. Because a regulated MFI must follow national requirements, reporting standards developed for microfinance should be broad enough to encompass national initiatives and regulations, as well as international standards, particularly given the global movement in support of IFRS.

5.2 Promoting Standards Adoption

A critical component of developing successful reporting standards is having practitioners adopt them and embrace compliance. The microfinance industry needs to design incentives for MFIs so that this initiative has value to them. Below are five incentives raised by other standards bodies and from discussions with microfinance industry representatives.

1. ***Involve a range of stakeholders.*** The Reporting Standards Initiative needs to involve the microfinance actors who value and will benefit from improved standards. These include MFIs, donors, MIS consultants, networks, raters, and investors, as well as service vendors such as MIS software companies. All of these stakeholders must be included in the early stages for the effort to be successful.

2. ***Create feedback mechanisms.*** The users of financial information and reporting standards need a forum where they can give feedback, as well as get updates that require changes in their reporting. Information must flow freely between standards boards and the industry at large. Whatever body is created will need gathering places, interactions, communication channels, and regular publications to manage the process. Allowing stakeholders to have a voice in the process and providing a formal mechanism for offering feedback will increase their acceptance of the Reporting Standards Initiative.

3. ***Offer certification.*** A certification process can encourage adoption of microfinance reporting standards, such as the certification created by the Wi-Fi Alliance. This is a global, non-profit industry association of 300 member companies interested in growth of wireless local area networks. Since it launched its certification program in 2000, 4,000 products have been designated "Wi-Fi CERTIFIED." The Alliance controls the "Wi-Fi CERTIFIED" logo as a registered trademark and permits it only on qualifying equipment. The logo is proof to others that the bearer is in compliance and has completed a rigorous process for quality assurance.

   MFIs are more likely to adopt reporting standards when they see the benefits of certification, such as better access to investment capital. Many MFIs interviewed cited the Microfinance Transparency Awards as a model. The time savings, particularly if the information compiled for certification was also made available for donors' and investors' reports, was cited as a major incentive to adopt reporting standards in the recent microfinance standards survey. If investors accept the certification, this would make adoption all the more attractive.

4. ***Foster exclusivity.*** The Global Reporting Initiative offers a seal of approval to participating companies to recognize and reward their dedication to triple bottom line activities – financial, social and environmental. Baldridge Excellence Awards promote membership in an elite club of institutions committed to high levels of operational standards. The application is rigorous and often requires a significant investment of time and money, so membership is prized by the institutions that complete it.

5. ***Make legal requirements.*** Having the power of law definitely drives the need for standards. However, stakeholder acceptance is still important. The Sarbanes-Oxley Act is a prime example in the United States and, despite some grumbling, it appears to have wide-spread support. The International Organization for Standardization (ISO), which sets minimum safety levels for manufacturing, is perhaps a better example.[8]

8 ISO is a non-governmental organization made up of public and private organizations. Many of its members are government agencies or are government-mandated. Other members are industry associations in the private sector (ISO web site, www.iso.org/iso/about.htm).

6. Conclusion

The microfinance industry has a long way to go in its efforts to develop an institution to set and promote standards for financial reporting. As the sector attracts commercial capital and central bank supervision, financial reporting standards that promote consistency, transparency, comparability, and full disclosure will be critical. Microfinance has much to learn from other standards bodies, particularly regarding structures, membership organization, products, and income generation. Stakeholder engagement is imperative for the Reporting Standards Initiative. Success will come, not from one institution or one person, but from the concerted efforts of a broad array of players in microfinance to achieve a common goal.

Appendix

Table 1	Institutions with Standards Boards Examined
AAA	American Accounting Association
AICPA	American Institute of Certified Public Accountants
AIMR	Association of Investment Management and Research (US)
FAF	Financial Accounting Foundation (administers FASB)
FASB	Financial Accounting Standards Board (US)
FEI	Financial Executives International
GASB	Governmental Accounting Standards Boards (US)
GFOA	Government Finance Officers Association (US)
GRI	Global Reporting Initiative
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC Foundation	International Accounting Standards Committee Foundation
ICCO	International Communications Consultancy Organization
IEEE	Institute of Electrical and Electronics Engineers
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IOSCO	International Organization of Security Commissions
ISO	International Organization for Standardization
NIST	National Institute of Standards and Technology

Table 2 Business Models Examined by the Microfinance Financial Reporting Standards Initiative

	FASB	IASB	Global Reporting Initiative	SEEP Social Performance Working Group
Legal entity	- Foundation	- Foundation	- Foundation	- Volunteer peer network of practitioners under aegis of The SEEP Network
Industry	- Accounting (U.S.)	- Accounting (international)	- Social impact reporting for businesses	- Microfinance
Leadership	- Board of Trustees is nominated by 8 member banks, public accounting firms, CPAs, and others.	- Has 22 trustees (independent experts in accounting and finance). Vote is by simple majority; constitutional changes require a three-quarters majority.	- Board is made up of 16 experts in development, accounting, business, government, and intergovernmental organizations.	- Organically created: those who offer to take the lead do so. - Paid facilitator spurs the progress of the learning agenda and work plan
Budget size	- USD41.4 million for 2008	- Target £16 million (£12.5 raised)	- Estimated at USD4-5 million per year.	- Funds specific projects and learning product development. - Operating budget is not publicly available.
Organizational structure	2-tiered organization: - Foundation is responsible for strategic planning, appointing board, and funding. - Board sets standards.	2-tiered organization: - Foundation is responsible for strategic planning, appointing board, and funding. - Board sets standards.	- Board of directors - Stakeholder Council - Technical Committee - International Secretariat	- Volunteer group under network structure with a paid facilitator.
Income	- Funding through U.S. government-mandated accounting support fees, per U.S. Sarbanes-Oxley Act of 2002	- Financial commitments (5 years) are from accounting firms, corporations, financial institutions, central banks, government organizations. - Funding is proportional by size.	- Has financial, in-kind support by members, including development organizations, World Bank projects, international companies, development banks, governments, and foundations.	- Activities are currently funded by the SEEP Network.

	FASB	**IASB**	**Global Reporting Initiative**	**SEEP Social Performance Working Group**
Products and services	- Sets standards of financial accounting and reporting for all. - Offers publications. - Holds open committee meetings.	- Sets standards. - Translates standards into 10 languages. - Offers educational material, trainings, conferences. - Has on-line support services.	- Sets sustainability reporting guidelines. - Creates learning materials. - Accredits trainers. - Provides special guidance for SMEs. - Funds research. - Writes sustainability reports.	- Leads an initiative to establish reporting standards for social performance indicators - Develops learning products: Social Performance Map, Social Performance Glossary, and 4 Social Performance Progress Briefs
Process operating mechanisms	- Foundation does strategic decision making. - Board sets standards. - Advisory Committees provide feedback.	- Foundation does strategic decision making. - Board sets standards. - Advisory Committees provide feedback.	- Board: fiduciary, financial, and legal responsibilities; makes guideline revisions, and determines strategy - Tech Advisor Committee - Stakeholder Council: makes board nominations - Secretariat: staffing	- SEEP staff: fiduciary, financial, and legal responsibilities - Facilitator and WG members work together to achieve deliverables in the annual work plan they've developed
Dissemination & Incentives	- Enforced by U.S. law.	- Disseminated through accounting bodies, which certifies members.	- Dissemination is through network members. - There is special recognition for members who comply, as well as discounts on GRI products.	- Has peer meetings. - Has product launch events - Has follow-on strategic and action-planning sessions.
	ISO Standards	**Baldridge Excellence Awards**	**Bluetooth Standards**	**Wi-Fi Alliance**
Legal entity	- NGO	- Foundation	- Privately held, not-for-profit trade association	- NGO

	ISO Standards	Baldridge Excellence Awards	Bluetooth Standards	Wi-Fi Alliance
Focus	- Global management	- Quality in American businesses	- Short-range wireless connectivity applica-tions	- Wireless applications and internet
Leadership	- Council of officers has 18 elected members. Council appoints the treasurer, 12 members of Technical Management Board, and Chair of Policy Development Committee.	- Department of Commerce, advised by Board of Overseers - National Institute of Standards - Examiners Board	-Board is elected from member institutions. - Company has a president.	- Board of directors– typically senior managers of member organizations - Paid staff
Budget size	- Per 2007 annual report, revenue is CHF36,045.	- Receives USD8 million annually from U.S. government plus earnings from USD20 million endowment.	- USD12.4 million income 2007	- Not publicly available. - Member fees
Organizational structure	- Network of 157 countries' national standards institutes: one member per - Has a General Assembly, Council, and Secretariat (in Geneva). country. - Committees report to the Council.	2-tiered structure: - Raises funds. - Invests endowment. - Reviews programs. - National Institute of Standards and Technology (NIST) oversees process.	- Board of directors from core members - Qualifications Review Board - Technical Advisory Review Board - Architecture Review Boards - Staff for 10,000 members	Single-tier structure: - Members sit on governance bodies. - Staff manages products and branding.
Income	- Comes from membership subscriptions (~ 50%), royalties, and copyright (~ 23%), sales of publications and magazines, and contributions.	- Has a government/ industry partnership. 90%+ supports private sector. - Government contribution is $8 million, also has fees, and earnings on $20 million endowment.	- Events - Licensing - Membership dues - Registration of Bluetooth devices	- Membership fees - Certification program - Sponsorship from sponsor member

	ISO Standards	Baldridge Excellence Awards	Bluetooth Standards	Wi-Fi Alliance
Product and services	- Has an ISO store. - Sets ISO standards. - Offers ISO publication(s). - Creates electronic products.	- Institutional analyses with report - Award - Publshed reports	- Publishes specifications. - Has an administration qualification program. - Protects Bluetooth trademarks through strict agreements. - Promotes Bluetooth wireless technology.	- Wi-Fi certification - Publicity of Wi-Fi trademark
Process operating mechanisms	-ISO has a five-year strategic plan approved for by ISO members. -Council coordinates activities with principal officers and 18 elected members.	- Open application process - Off-site review by examiners - On-site review by examiners - Selection of awardees	- Member joins, pays fee, and submits qualifications online. - Bluetooth reviews and determines qualification. - Certification granted to quailfied concepts.	- Member submits technology for testing. - Testing team verifies IEEE 802.11 specifications and reliability. - Certification with trademark is awarded.
Dissemination & Incentives	- Offers printed material and guides. - Dissemination is through network members.	- Established by the Malcolm Baldrige National Quality Improvement Act of 1987, Public Law 100-107 to be a standardized award	- Certification– makes products marketable. - Holds roundtables. - Disseminates through developers, testers, events. - Training events.	- Rigorous certification - Designated, well publicized trademark for certified products

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The SEEP Network is a membership association of organizations that support micro- and small enterprise development programs around the world. SEEP's mission is to connect microenterprise practitioners in a global learning community.

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