From the Editor

This third issue of the *MicroBanking Bulletin* reflects some significant changes in the format, content and management of the publication.

Management Changes

In January 1999, the founder and editor of the *Bulletin*, Robert Christen, left the world of independent consulting to join CGAP. This caused a shift in the institutional home of the project from the Economics Institute, which served it well during its first two years of operations, to Calmeadow.

For more than a decade, Calmeadow has worked to achieve some of the same objectives as the *MicroBanking Bulletin*. We believe that improved financial performance is central to the development of the microfinance industry. If MFIs can achieve consistent levels of profitability, they will enhance their creditworthiness and attract private capital to fuel their growth. It is therefore an honor for us to help the microfinance community take strides toward this goal through an industry publication that reports transparent and comparable financial performance.

Fortunately, Bob will remain actively involved in this project by serving as the Chair of the *Bulletin*'s Editorial Board. We will continue to rely on his guidance and technical expertise. Another change to the Editorial Board is the addition of Elisabeth Rhyne, who brings outstanding academic credentials and more than a decade of diverse microfinance experiences to this project.

Content Changes

When Calmeadow assumed responsibility for the MicroBanking Standards project, we contacted most of the participating institutions as well as key opinion leaders in the microfinance community to ascertain what improvements they would recommend for the project in general, and for the *Bulletin* in particular.

We received very positive feedback regarding the objectives of the project. The microfinance community recognizes the importance of collecting transparent and comparative data for the purposes of benchmarking performance and establishing industry standards. We received many suggestions on how we could better achieve that objective, especially by enhancing the effectiveness of the *Bulletin* as the primary dissemination vehicle. Where concerns were expressed, they revolved primarily around a dislike for anonymous data.

The *Bulletin* treats all information as highly confidential. Neither raw data nor the results of the analysis are made available to any party other than the person or institution that provided it. We consider this measure necessary to maximize participation and full disclosure, especially since the data are largely self-reported.

Calmeadow looks forward to the day when confidentiality is no longer an issue. Until then, we are responding to the anonymity complaints by introducing a new feature to the *Bulletin*. This issue contains a case study of a participating institution, Compartamos in Mexico, which should speak to those critics who want their data to have a face and a story. By showing how the performance of this institution compares to its peers, we also hope that the case study will help demonstrate the benefits of the peer group concept. We emphasize that confidentiality is a fundamental principle of the *Bulletin*, and we will not publish the results of any institution without its express permission. The *MicroBanking Bulletin* thanks the management of Compartamos for agreeing to share its experiences with our readers.

In this Issue

Many leading microfinance practitioners are obsessed with finding innovative ways to improve their operating efficiency. And so they should be. One of the greatest challenges in microfinance is to lower the delivery costs of microfinance services, which will enable institutions to profitably serve a lower income market. Missing from most efforts to improve operating efficiency is quantifiable evidence of where in the lending process the inefficiencies exist.

Gheen *et al.* seek to answer this question by presenting a methodology for measuring unit loan costs as well as evidence from applying the methodology to 14 MFIs in Latin America. This effort to quantify the costs in microlending produces some interesting results regarding economies of scale, the advantages of a diverse loan portfolio, and the cost reductions that MFIs are not extracting from their repeat borrowers.