



## **GOVERNANCE DECLARATION OF SAN SALVADOR**

The role and function of MFI Boards of Directors are changing almost daily with the dynamics of the emerging Microfinance Industry. Toward that end, the Boards of Directors of the KATALYSIS NETWORK Gathered in San Salvador pledge themselves to advancing the following standards and practices:

1. Board members need to remain fully informed and educated about all the latest economic trends, MFI industry developments, and related government regulations in order to effectively govern their respective institutions.
2. Board members should review and evaluate policies, procedures and practices periodically to be sure that they are both user (client)-friendly and institutionally viable.
3. Board members are responsible to make sure the MFI stays true to its mission and values -- and remain committed to reaching the poorest of the poor, especially women. The focus on helping the poor should not be sacrificed for the sake of sustainability. Both can co-exist in an organization that truly honors its values.
4. Boards must be clear that their role is to set policy and determine strategic direction for the MFI; they should stay out of direct involvement in operations, but monitor the functioning of the MFI management.  
  
They should make sure that the executive director has the authority to match her/his responsibility. An annual review of the Executive Director should be conducted by the Board with pre-agreed goals and outputs. A periodic outside institutional evaluation should also be also considered.
5. Board members need to be fully informed of all of their MFI performance indicators and financial status on a periodic basis.
6. Boards must have socially committed members that also bring experience and expertise in micro-finance, banking, and business, not just friends and colleagues.  
  
The youth should have the opportunity to participate in the board of director structure. There are many human resources available that can benefit and complement the aggressive growth of the MFI that do not cost in terms of finance.

7. Boards should avoid the perception or actuality of conflict of interest. Each MFI should develop a policy that defines and governs that issue (or the Network might even develop a regional position on it that could be ratified by each MFI member). This will be especially essential as progressive MFIs seek to become regulated.
8. Board members need to have access to appropriate training and orientation and the opportunity to exchange experiences with other colleague MFI board members. This Forum is a first step in that direction.
9. Board members should stay open to new and innovative products and services (savings mobilization, remittances, rural loans, youth entrepreneurship, client health insurance and pension plans, etc).

They should keep the MFI relevant to the demands of the market by being directly acquainted with the MFI's clients and their concerns and interests.

10. The Board needs to consider evaluating itself on a periodic basis to make sure it is living up to its mandate and responsibility. An outside evaluator may be helpful in facilitating that process.
11. Entrepreneurial Social Responsibility (ESR) is it intrinsic to MFI nature; therefore, the Board of Directors should be attentive and committed that the main principles of ESR be applied to support the transparency process in our partner's organization.

San Salvador, El Salvador  
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