Microenterprise Finance and Banking with the Poor
USAID's Policies and Program of Support

Introduction

USAID strongly supports microenterprise development It has launched a major initiative to raise the overall importance of microenterprise development in its work to promote economic growth USAID's commitment is based on the recognition that sustainable growth requires the participation of all segments of society, including the poor We believe that economic growth is most meaningful and contributes best to sustainable development when the productivity of the poor is enhanced Microenterprise development is an important means of raising the poor's productivity, economic autonomy, and quality of life It is, in effect, economic democracy

USAID shares the view espoused in *Banking with the Poor* that the lack of reliable access to savings and credit is a key constraint limiting poor microentrepreneurs' capacity to raise their incomes on a sustainable basis We support a variety of programs aimed at expanding and deepening the reach of microfinance organizations Some, though not all, of these programs use methods similar to those endorsed by *BWTP* Moreover, many if not most, of our microfinance programs are implemented by NGOs via a variety of delivery methodologies Many of the programs we support rely on variations of the group lending approach, while others extend services to individuals In short, we pursue multiple models, recognizing that there is likely no single model which universally works best to deliver financial services to the poor There are, of course, some basic principles and criteria of sustainable microfinance programs which have emerged over the past decade or so, and we seek to support programs which apply these principles

As noted in the draft report, *Best Practice of Banking with the Poor,* a growing number of NGOs in the Asia-Pacific region have demonstrated their commitment and capacity to deliver or assist in the delivery of financial services to the poor Bank/NGO/SHG linkage programs, e g , those comprising the BWTP network, are potentially effective means of channeling more financial resources the poor In concept, these programs have the distinct advantage of promoting the integration of poverty lending into the overall banking system This, in turn, can and should increase the pool of domestic loan resources made available to the poor Given the promise which such institutional mechanisms hold, and in light of their relative newness, USAID appreciates the important contribution of the Foundation for Development Cooperation in examining these innovative microenterprise credit programs and in promoting international dialogue on the subject Through such dialogue and exchange of experience, we are able to expand our knowledge base and better coordinate our work to achieve common objectives

USAID Assistance for Microenterprise Development

USAID has made microenterprise development a major program priority In 1994 alone, total funding for microenterprise activities exceeded $140 million Assistance in 1995 and 1996 is expected to match or exceed 1994 levels Support for the expansion of sustainable microenterprise finance forms the mainstay of USAID's program of assistance to microenterprise approximately two-thirds of budgeted resources consists of support for microenterprise finance programs USAID's support for microenterprise finance programs comprises start-up loan capital, technical assistance and training, institutional development, and policy assistance USAID places a very high priority on outreach to the poor it has pledged that one-half of its support for microenterprise finance be committed to poverty lending

Most of USAID's support for microenterprise is funded and implemented through our bilateral field missions, but technical and financial resources are also provided via USAID's Center for Microenterprise Development which is housed within the Global Bureau of USAID/Washington Central funding supports such programs as USAID's Anti-Poverty Lending Program (APPLE) which provides matching funds to field Missions to carry out poverty lending programs Total FY 94 APPLE awards were $8 8 million, which will result in USAID obligations of twice that amount, or $17 6 million, to award recipients

In 1995, the Center for Microenterprise Development will launch a new project, the Microenterprise Innovation Project, which aims to achieve a number of objectives via innovative programming These objectives include achieving greater outreach and significant scale in microfinance service provision, financial viability of financial services, local institutional development, and greater access by women and the very poor to financial and non-financial services While the bulk of the project's resources will fund microenterprise programs, one component of the project will provide training and technical assistance to implementors to advance the "State of the Practice," in microenterprise programs Altogether, the project is expected to obligate nearly $30 million per year towards microenterprise development activities

Microenterprise Finance USAID's Policy and Program Objectives

There have been significant advances in the field of micro-finance We all know more about how to reach the poor with financial services than we did ten years ago, and this knowledge is reflected in the outstanding achievements of some of the leading microfinance institutions, such as BRI, the BKK system, Grameen Bank, Bancosol (Bolivia) and Actuar Bogota (Colombia) Each of these institutions serves a large number of clients on an increasingly financially viable basis Each has become an integral part of their country's financial system As more such institutions develop, we will witness a transformation of financial systems from systems serving only the interests of the elite to those that serve the mainstream of society

Financial Self-Sustainability

USAID strongly believes that all microfinance programs and institutions should strive to achieve financial self-sustainability Microfinance institutions which operate on a financially sustainable basis are better able to leverage non-donor funds, expand their scope, and thereby provide financial services to a far greater number of poor people than would be possible through subsidized credit As noted in *BWTP*, there are several levels of financial self-sufficiency Conceptually, it is useful to identify two categories of self-sufficiency operational self-sufficiency and full self-sufficiency [1] Programs which are able to cover all non-financial expenses out of program fees and interest charges are said to have obtained operational self-sufficiency This is an important hurdle for microfinance programs for it means that, while still subsidy dependent, they are able to maintain (and perhaps expand) their loan capital base Full self-sufficiency is attained when all non-financial and financial costs are covered where the latter refers to the cost of funds This is admittedly a high standard which only a few microenterprise finance programs have achieved, but it is the key to longevity and expansion

To achieve financial self-sufficiency, interest rates must be set on a cost-recovery basis Full cost recovery implies that microfinance loans are priced such that the resulting income from interest rates and related fees cover all the costs of making the loans Cost recovery is the ultimate test of a sustainable microcredit program The basic assumption underlying the principle of full cost recovery is that the poor prefer access to reliable credit at higher interest rates over subsidized, but unreliable credit Subsidies in the form of loan capital, technical assistance, training, and institutional support are appropriate in a program's start-up and/or expansion phase Eventually, however, the pricing of loans should cover all inflation-adjusted transactions and overhead costs Moreover, in order to facilitate the transition to cost-recovery pricing, the subsidy element of all microfinance programs should be fully accounted for Using cost-recovery criteria is the best practical means of determining the appropriate interest rate and fee structure The term "market interest rate" is not very helpful, as it raises endless disputes over what the relevant market interest rate is Often there is no relevant reference rate Cost-recovery rates tend to be higher than mainstream commercial bank rates on small business loans, and lower than informal sector rates

Ultimately, USAID's vision is that microfinance will be funded locally and commercially That is, the main source of funds for lending to microentrepreneurs should be the local private sector, both businesses and households Microfinance providers should be financed through an appropriate combination of such mechanisms as savings deposits from local households, loans from commercial banks, and tapping into local money and capital markets We support a variety of paths to the vision NGOs that borrow from commercial banks (e g , ADEMI in the Dominican Republic and TSPI in the Philippines), NGOs that are transformed into special financial institutions (e g , Grameen and Bancosol), and formal financial institutions doing microfinance of their own accord (credit unions, state-owned banks, and private banks) While many of our microfinance projects work with NGOs, we also support the development of institutions which provide financial services directly to microentrepreneurs

The Role of NGOs and SHGs

In most countries, NGOs have played a vital role in helping to channel credit and other services to the poor Some NGO microfinance programs have been highly successful In a few

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[1] This approach is described in Robert Peck Christen, Elisabeth Rhyne, and Robert C Vogel, Maximizing the Outreach of Microenterprise Finance The Emerging Lessons of Successful Programs, draft report U S Agency for International Development and Harvard Institute for International Development September 1994

instances, NGOs have even transformed themselves into full-fledged institutions serving large numbers of poor clients USAID wishes to support NGOs that are willing and have the potential to reach 1) full financial viability, 2) to raise funds from local sources, and 3) to have a concern to reach a significant scale of outreach Where we have such partners, USAID will structure assistance as a seed capital investment, to enable the NGO to reach these three goals An important part of that investment is an investment in capacity-building For example, it is critical that NGOs be able to produce financial information to the standard that would satisfy a local commercial funder (like a bank), and we would assist NGOs in developing their information systems to that point

USAID believes group lending is an important methodology for working with the very poor, and we support group lending in most of the countries in which we operate Groups can serve to lower the information costs that lenders face in dealing with informal sector clients and to provide substitutes for conventional collateral [2] The group approach also fosters "social intermediation," a means by which the poor can improve their access to formal sector service institutions [3] While we are enthusiastic supporters of the group lending approach, we do not support this method to the exclusion of other methods of outreach In fact, some of the most successful microfinance programs USAID has supported do not use groups (BRI, BKK and its cousins, ADEMI, and ACEP in Senegal)

It may also be noted that there are many different types of groups, ranging from small solidarity groups (as used in Grameen Bank and its clones) to village banks (a model USAID has supported in many countries) Credit unions and savings and loan organizations are typically larger, more formal type of groups We believe that the cost of group formation in such programs is an integral part of the cost of making loans, and hence, operational self-sufficiency requires that these costs be covered in fees and interest charged to clients If programs are to become financially independent of donor support and able to achieve significant scale, such a policy is necessary

Conclusion

USAID places a very high priority on microenterprise development We believe that microenterprise development is key to raising the poor's productivity, quality of life, and contribution to a country's sustainable economic growth To help fulfill its commitment to reach the poor, USAID has launched a major new initiative to expand and strengthen its program of support for microenterprise development Our program of assistance for microenterprise

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[2] Elisabeth Rhyne, 'Microenterprise Finance as Institution-Building, presented at conference *Economic and Political Institutions for Sustainable Development Implications for Assistance*, Washington D C October 24 25, 1994

[3] Lynn Bennett and Michael Goldberg, 'Providing Enterprise Development and Financial Services to Women A Decade of Bank Experience in Asia, Human Resources and Social Development Division Paper, World Bank Washington, D C , 1993

emphasizes outreach to the poor, sustainability, and financial self-sufficiency While in the past these objectives have often been thought to involve trade-offs, USAID's paradigm is that they can and should be complementary In the design and implementation of its microenterprise development programs, USAID seeks to build on lessons learned from its own experience in the field as well as that of other donors and host countries As such, we appreciate the contribution of the Foundation for Development Cooperation in promoting the exchange of views and experience and we welcome the opportunity to participate in this important forum

TRIP REPORT

When November 21-25, 1994

Where Brisbane, Australia

Purpose To participate in the Third Asia-Pacific Regional Workshop on Banking with the Poor

Summary of Workshop Proceedings

The main work of the workshop was in reviewing the conclusions and recommendations of the Draft Report, *Best Practice of Banking with the Poor* The intent of the workshop organizers was to use the workshop to vet the report among participants, after which the document would be revised with the aim of producing a final manual on "best practices" as seen from the perspective of countries in the network There was considerable discussion and differences of opinion on several of the report's conclusions and recommendations Some of the more controversial issues included how to target the poor via group formation, cost recovery vs "market" interest rates, the role of the overall financial system in promoting banking with the poor, the composition of donor assistance (loan capital vs institutional development), and the leveraging of non-donor sources of funding for banking with the poor Several donor representatives (and particularly the UNDP representative) voiced concern over the Report's wholesale endorsement and advocacy of the BWTP "model" without sufficient and rigorous analysis of the details of the various types of linkage models being implemented The view was also expressed that the report's conclusions and recommendations seemed to place undue reliance on continued and expanded support from external donors, and too little emphasis on the need to pursue financial self-sustainability (and to seek domestic sources of support) While a couple of the NGO representatives urged that special consideration was needed when dealing with the poorest of the poor, many NGOs acknowledged the need to move towards financial self-sufficiency and several stated their intention of either becoming or spinning off commercially viable financial institutions

All in all, the workshop was successful in providing a forum for the substantive discussion of important issues in the area of microfinance On the final day of the Workshop, the World Bank representative (in cahoots with the ADB representative) presented a three-part proposal for furthering the process of research, information sharing, and international dialogue The proposal is described on page 16 of this report The World Bank representative also informed participants of a proposal (currently being floated among donors) to form a donors' Consultative Group to Assist the Poorest of the Poor (CGAPP) Both of the Bank's proposals were well-received by participants at the Workshop and language urging donors to endorse and implement the latter proposal was inserted into the report

One more point worth mentioning here is the reputation which USAID clearly has in its stock of intellectual capital in the field of microfinance several participants asked me how they could obtain one or another GEMINI or other USAID report (Peck, Rhyne, and Vogel's recent paper was in particularly high demand!)

<u>Background</u>

The Workshop was organized by the Foundation for Development Cooperation (FDC), an Australian organization which, with support from the UNDP (and other donors), has helped to found and develop a network of NGOs and banks in eight Asian countries with the purpose of exploring and strengthening opportunities for providing the poor with greater access to credit The Banking with the Poor (BWTP) Network was established at the first regional workshop in Manila in 1991 A second regional workshop was held in Kuala Lumpur in 1992 In addition, a number of National Workshops have been held in network countries Aside from facilitating the exchange of information and experience with "linkage" programs (i e , microcredit programs linking banks and NGOs), the Foundation also sees the BWTP project and Network as serving an important advocacy role for promoting the wider adoption of the Bank-NGO linkage model as a means of expanding the poor's access to credit

At the second regional workshop in Kuala Lumpur, a draft report on BWTP was reviewed, debated, and approved by workshop participants The report was subsequently published with assistance from the World Bank and has been distributed widely to Governments and NGOs in the region as well as to external organizations The report describes the linkage mechanism and reviews the experience of countries implementing it via case studies It also contains conclusions and recommendations to different groups (NGOs, banks, central banks and governments, and external organizations) for implementing the BWTP model In preparation for the Third regional workshop, we were asked to provide comments on the recommendations for bilateral assistance agencies Our comments were included in the draft report prepared for the third workshop along with three paragraphs of interpretation by the author (Dr John Conroy, Executive Director of FDC) of the draft report We prepared an elaboration of these comments (in order to correct some points of misinterpretation) which I presented and distributed at the workshop

The Third Regional Workshop was attended by invited participants representing NGOs, banks (both public and private), central banks, and bilateral and multilateral donors Several reports were drafted in preparation for the Workshop *Best Practice of Banking with the Poor*, *Transactions Costs of Lending to the Rural Poor*, and *Banking with the Poor in the South Pacific* [In 1993, the UNDP suggested that the Foundation explore the opportunities for implementing BWTP in the South Pacific As yet, no such linkage programs are being implemented] The *Best Practice* Report reviews the experience of implementing BWTP in the eight Asian countries comprising the BWTP network (Bangladesh, India, Indonesia, Malaysia, Nepal, Pakistan, the Philippines, and Sri Lanka), and presents conclusions and recommendations based on these conclusions Like the first BWTP report, the recommendations are targeted at four groups of actors NGOs, banks, central banks and governments, and donor organizations

The Workshop held plenary sessions and simultaneous working group sessions One working group, Working Group A, was comprised mainly of the original BWTP network members Working Group B was set up mainly for those from the South Pacific, while Working Group C was for participants from the Mekong Region (Vietnam, Laos, Cambodia, Yunnan Province of China, and Thailand) Since I thought it would be most useful to learn as much as possible about the experience of the actors implementing the linkage programs, I spent most of my time in Working Group A

Day One

The morning featured opening remarks by the Chairman of the FDC, Dr Brian Scott, followed by a keynote address by the Australian Minister for Development Cooperation and Pacific Island Affairs, Gordon Bilney MP He noted how experience has shown that the poor can pay back their loans, even those given on a commercial basis, and stressed the importance of lending to the poor, contending that the majority of jobs are going to come from the informal sector Somewhat amusingly, he said that despite the negative attention the World Bank had recently received (50 years is enough), it was a far different creature now than in the past and had come to value the contribution of microcredit to poverty reduction Likewise, the ADB also has come around (noting its new $23 million microcredit project in Indonesia) He informed participants that the Australian government believed that poverty reduction required 1) economic growth, 2) complementary investment in health and education, and 3) microenterprise programs Somewhat surprisingly, he said he was happy to see so many women at the workshop, noting the important contribution of women to microenterprise development [This was surprising because there was only a sprinkling of women at the workshop, so few in fact that on the last day, as participants were individually voicing their thanks to the organizers, two women from the South Pacific urged greater female participation in any future workshops!] A number of the views expressed by Mr Bilney are consistent with USAID's philosophy, e g , the importance of considering the broader environment in which MEs operate, the need to strengthen existing institutions' capacity to extend their reach, and the importance of financial discipline He asserted that there was "no one correct model," but that the most effective ones were those adapted to local conditions

The next speaker, Dr Harka Gurung, is Director of the Asian Pacific Development Centre in Kuala Lumpur The Center implements the UNDP Regional Poverty Alleviation Programme for Asia and the Pacific (RPAP) which has several components, one of which (Credit for Income-Generating Activities of the Poor (CIGAP)) provided funding for the third regional workshop as well as for a number of the national workshops In his remarks, he noted the uneven effectiveness of specialized programs targeted at the poor, noting that a few were generally recognized as having made a significant impact on a large number of the poor The ones he noted are Grameen Bank and BRAC in Bangladesh, the Aga Khan Rural Support Programme in Pakistan, and the Maharasthra Employment Programme for the Poor in India He stressed the importance of credit in increasing the poor's productivity and urged that lessons be learned from the successful experiences in making credit accessible to the poor and cost effective

Mr Russell Rollason, Executive Director of the Australian Council for Overseas Aid, an umbrella organization of Australian NGOs, tried to place BWTP in the broader context of the role of NGOs, pointing out NGOs' advocacy role and their emphasis on "people-centered" development assistance NGOs were largely responsible, in his view, to reforming structural adjustment programs to give them a more "human face " He lamented that only four developed countries had achieved the UN target of contributing 7% of GDP to development assistance, and that few DACs put poverty alleviation on the top of their priority list, asserting that until they do so, billions of dollars will continue to be diverted away from those who need it most

General Eva Burrows, Former World Head of the Salvation Army and member of the FDC's Board of Governors, gave an impassioned appeal to help the poor She said that tackling poverty must be a top priority in this last decade of the twentieth century, noting that we had not been too successful thus far She contended that "because of the disillusionment with big aid programs and the inappropriate macroeconomic projects, so often aborted or impotent, more and more are turning to the poor themselves " She stressed that there was a rational, philosophic basis for helping the poor in addition to the emotional, heart-centered basis, and this amounted to social justice, which she described as a "divine requirement of all religions " Her talk, while perhaps a bit evangelical, did have the effect of not only keeping everyone awake, but of making us conscious of why we were there to begin with

Dr I P Getubig, Programme Manager of the UNDP's CIGAP, gave a talk on "Who are the poor in the Asia-Pacific Region?" He briefly described a World Bank study (Glewwe and Van Der Gaag, 1988) which identified eight different definitions of poverty and found that the different definitions do not identify the same people as poor Consequently, care must be taken in choosing a definition of poverty so that it identifies correctly the category of poor which a policy or program is intended to reach He also noted that the poor, while sharing certain characteristics, are heterogeneous Again, the implication was that care must be taken to account for the different characteristics in formulating policies and programs aimed at helping the poor

Mr Aloysius Fernandez, Executive Director of the Mysore Resettlement and Development Agency (MYRADA), a major multipurpose NGO based in Bangalore, India, gave an excellent talk entitled "How Best to Help the Poor " He described their microcredit activities which involve over 800,000 people, and asserted that "We've learned most from our microcredit programs " He added that he and his colleagues were helped as much as they help and that it caused one to question where power flows He urged actors to "listen to the poor, keep the face of the poor before you, and don't let ideology get in the way " He dispelled a number of myths about microcredit For example, he said while money lenders are usually condemned, in India, they are often the people the poor trust most as a source of reliable, hassle-free credit He discussed the evolution of their experience and thinking Realizing that the poor needed "sideways linkages," he said they realized the need to form groups, but "What sort of groups?" First they tried all the people in a village, but that didn't work Next, they tried groups of the poor, four in each group, but that didn't work either So they let them form their own groups (of less than 25 people) and found that that worked the best MYRADA helped them establish management systems, accounting methods and records so that they could become "socially viable groups " Now they have 2700 groups comprising 60,000 families managing $20 million in savings [not sure of loans disbursed, but detailed figures are provided in Myrada's pamphlet which gives distribution by loan size and type] He briefly described how the collaboration with NABARD (India's National Bank for Agriculture and Rural Development) had changed their policies and gotten them to work with good, credible groups He also described some of the details of the loan portfolio He concluded by stressing how important it was for group members to have a sense of ownership in the program and to be aware of the scarcity of resources available

Mr William Taylor, Founder and Vice-Chairman of the FDC gave a brief description of the origins of the BWTP network and the Foundation's role in developing it Dr John Conroy presented an overview of the report on implementation of BWTP This was followed by a report on the national workshops in Asia given by Mr Ganesh Thapa, Senior Consultant to the FDC and former Governor of Nepal Rastra Bank He reported that they were strongly encouraged by the "strong endorsement" of the concept in all seven countries in which they held national workshops He noted that the "feeling still persists that when it comes to the poor, let's be generous," implying that below-market interest rates were deemed appropriate by network members [I'm not sure what his own position was on this]

Working Group Session on Transaction Costs

In the late afternoon, the first working group sessions convened In Working Group A, the group I attended, the two transactions costs studies were presented and discussed Mr V Puhazhendhi of NABARD presented his study which attempted to quantify transaction costs for four different models of lending employed by NABARD The first model, the benchmark case, is that where banks lend directly to the rural poor while the other three models rely on some kind of linkage mechanism (between banks and NGOs) The study estimates transaction costs for banks in terms of time spent by bank personnel on various functions relating to loan disbursement and recovery It also estimates borrower transactions costs The estimated average transaction costs of lending per account was Rs 195 or 3 68 percent of the loan amount if the loan was delivered under a direct lending channel The intermediation of NGOs/SHGs were found to reduce transaction costs by 21-41 percent over the direct lending case Similarly, NGO/SHG intermediation was found to lower borrower transaction costs by approximately 85 percent These findings are not too surprising, however, in light of the fact that no account was taken of the costs incurred by the NGOs and SHGs Hence, how much of the "reduction" in transactions costs represents a veritable reduction versus a shifting of costs to NGOs is not known

The other study was done by Gilberto Llanto and Ronald Chua using data from the Philippines Their study also finds that NGOs are able to lower transactions costs over that incurred by rural banks In the paper, the authors were up front, about the limitations of their study (namely, that they use data on only two NGO programs (KMBI and ASKI), and the fact that there are no other financial institutions which specialize in poverty lending thus precluding comparison of transaction costs for a given loan size) Related to this latter point, one banker from the Philippines noted that their bank preferred the linkage model over direct lending to the poor because of the negative political ramifications that would ensue if his bank tried to charge highly differential interest rates (i e , those which reflected transactions costs) across customers

Unfortunately, there was not enough time after presentation of the two reports to discuss them in any detail By and large, participants expressed appreciation for the hefty work of the authors and commended them for making a good first start, but noted the need for further study and systematic analysis At another working group session devoted to reviewing the conclusions and recommendations for NGOs, some advised against using the findings of the studies as firm evidence of the superiority of the linkage model in terms of its effect on transaction costs

Day Two

The morning began with a plenary session where NGO representatives gave brief presentations on their microfinance programs In general, and in part due to the time constraint, the descriptions were fairly broad-brush in nature without much detail provided on the specifics of the linkage mechanism For example, no one mentioned what the cost of funds were on loans received from the banks, and while several said they charged clients market or market-related interest rates, no one specified the rates charged or the spreads involved Nonetheless, a number of interesting points were raised, some relating to operational issues, others more philosophical in nature For example, Mr Fernandez (MYRADA) pointed out the difference between a "decentralized" model versus the case where the NGO essentially operates as a bank In the former, the NGO is distinctively not a bank, according to Fernandez Instead, each credit group operates as a bank, as is the case in the model they currently employ (although interestingly, he was one of those who claimed to want to "spin off" their lending program into a self-sufficient operation) In the decentralized approach, what was needed, he contended, was a focus on feedback systems rather than "up front" systems He said they give all their groups a line of credit, but "we always know what it's used for " He emphasized the importance of good reporting and information systems in this regard, but argued that if the system were centralized, it would kill the initiative of the groups

Mr Rollie Victoria of ASKI/APPEND in the Philippines (a member of the Marantha Trust, now called the Employment Opportunity Foundation) said that members of APPEND (an alliance of Christian organizations) are providing loans, training, and t a to microentrepreneurs and applying APPEND guidelines (e g , charging interest rates based on market rates) He also said that all members (of APPEND) are borrowing or negotiating to do so with commercial banks

Mr Kiriwandeniya of the Federation of Thrift and Credit Cooperative Societies (FTCCS) in Sri Lanka explained that their organization is part of the trade union system, a "primary system" required under the Cooperatives Act He proclaimed that theirs is a "totally democratic movement," not an NGO as such, but rather a PO (People's Organization) It comprises 8000 cooperatives consisting of 800,000 members, 60 percent of whom are below the poverty line They encourage borrowing for investment purposes and charge interest rates linked to the market rate They aim for a 4 percent profit margin He said they have a technical problem in that the Monetary Act prohibits them from becoming a bank, though he did not specify the implications He emphasized that all funds they receive must be recorded as a liability in their books He also claimed that they had in the past rejected World Bank funding, realizing the importance of generating savings

Mr Mohammad Zahid Elahi of the Sarhad Rural Support Corporation in Peshawar, Pakistan, described his organization as a self-help group support organization under the Aga Khan Rural Support umbrella He contended that replication doesn't work in the strictest sense, and that adaptation was critical He also emphasized that their activities aimed for both equity and sustainability In loan delivery, they usually require equity (here meaning collatoral) in the amount of the loan, but are more flexible for poor people While loans ideally should be related to income generation, consumption loans are also made Because of their lack of "machinery," they do emphasize linkages with Government agencies Currently, with assistance from the ADB and IFAD, they are implementing a scheme whereby the NGO organizes the community and trains land-agency extension workers, emphasizing the need to avoid establishing a dependency relationship He was candid in saying that the credit component of the program was not working out as planned due to the delays of the Agricultural Development Bank in processing the loans This resulted in clients feeling no compulsion to repay their debts promptly thus leading to a credibility problem

Prof Sukor Kasim of the Center for Policy Research at the Science University of Malaysia described their applied research project in banking with the poor, Amanah Ikhtiar Malaysia (AIM), as similar to the Grameen Bank approach He said that they had trouble in the beginning because male borrowers brought the repayment rate below their target of 90% He quipped that "by virtue of their being the saviour of the pilot program, the program now is a women-based program " [In fact, there are only 100 male members out of a total of 32,000 members] Because of the problem of shrinking farms due to the inheritance tradition (where women get 1/3 compared to men's 2/3 share), they have recommended that loans be used to expand farm size The first loan is a "benevolent" loan and is heavily subsidized, but subsequent loans are priced on a near commercial basis Somewhat interestingly, in his paper it is stated that they have collected over $1 million in administrative charges and these charges are expected to cover 20% of operating costs in 1994 They expect to "break even" by the year 2003 (which I assume means be able to cover operating costs) The paper goes on to say that because they rely on administrative charges, "the route to financial viability is based on the number of loans disbursed while the role of the so-called interest rates in interest based programmes have more flexibilities " He also made a candid complaint that one problem they had faced was in the "hijacking," or more benevolently, the "diversion" of loan capital from AIM to the Islamic Foundation, but I didn't quite understand how or why this occurred

Mr Bambang Ismawan of Bina Swadaya, a major multipurpose NGO in Indonesia, began by describing the traditional revolving credit scheme (the arisan) in Indonesia He said they recognized that new models of groups dealing with money were needed and that Bina Swadaya could help improve the administration of credit schemes, introduce repayment rules and better rules governing allocation and use of funds He asserted that savings were important in establishing the groups' credibility with banks, but that even so, not many banks were willing to lend to groups (one problem being that they do not have tax numbers!) whereas they were willing to lend to Bina Swadaya In 1990, Bina Swadaya opened its first Bank Percreditan Rakyat (People's Credit Bank) which because it has legal status is able to tap savings from those that don't necessarily need credit [They now have four BPRs in operation] He said that a major problem they had was in assessing credit worthiness and that consequently, they found they could not survive on group lending alone (and in fact, only 33% of total outstanding credit is to groups) However, individuals need not have collateral to get a loan Because most lack legal land certificates, they are willing to rely on the word of the borrower's valuation of his/her assets Funding from Bank Indonesia's refinancing facility has helped them to overcome constraints imposed by legal lending limits

Working Group Session on NGOs/SHGs

Working Group A convened to discuss the draft report's conclusions and recommendations relating to NGOs and SHGs The session was chaired capably by Mr Benji Montemayor (TSPI, Manila) However, despite his attempts to move the proceedings along, the Working Group was unable to completely review and reach agreement on all the conclusions and recommendations, the remainder being left to a drafting sub-group Mr Henry Jackelen, the UNDP representative, emphasized to the organizers that this was their report (i e , that of the BWTP network), the implication being that unanimous approval (and particularly, approval of donors) was not necessary (nor likely plausible) [His statement was in no way intended to inhibit participants from voicing their views, but rather to acknowledge that all participants, particularly donors, were not likely to fully embrace and endorse the report's conclusions and recommendations]

The first three conclusions in this section of the report essentially say that NGOs have a comparative advantage in targeting the very poor via their assistance to SHGs, and that the poor should be targeted For some reason, considerable discussion ensued on the optimal size of the SHG Mr Jackelen (UNDP) warned against confusing SHGs with the five-person group phenomenon which he described as a "pre-cooperative structure " Mr Fernandez (MYRADA) said they have been flexible, accepting groups of between 5-25 members He added that it was not necessary that they be given legal status, but that it was important that they choose their own leaders and that leaders be rotated every year The Chair asked whether there was a consensus on the need to target the poor The GTZ representative, Dr Erhard Kropp, pointed out that heterogeneous groups will form if you leave groups to form autonomously Some agreed, but others contended that if you want to reach the poor, you have to target them The World Bank representative, Dr Sacay, noted that BWTP programs appear to have two types of clients, those with ongoing enterprises and those with no enterprises, adding that Bancosol only finances ongoing enterprises He asked what the experience was among NGOs of lending to unemployed versus those that are Nobody responded specifically to his question Mr Jackelen added that in many cases, it was virtually impossible for larger microenterprises to get $1000 loan to expand their business which may have the effect of creating many jobs Hence, it wasn't a good idea, in his opinion, to exclusively target the poor in loan delivery, but rather to make special provisions for the very poor in microfinance programs, recognizing that transaction costs are higher and special compensation is required Mr Jun Balbido, Vice President of BPI bank in the Philippines said that targeting the poor basically depends on the NGO involved

The next conclusion stated "SHGs need simple but comprehensive guidelines " This is followed by a list of 16 guidelines developed at the second regional workshop An observer, Ms Ruth Goodwin, of Women's World Banking pointed out that the guidelines contained no performance requirements of either SHGs or NGOs, and that such guidelines would help boost the confidence of bankers A number of participants, donors and NGOs agreed that it would be useful to include such guidelines, and it was decided that the drafters would review the performance requirements contained in the report of the United Nations Expert Group on Women and Finance with the aim of adopting some or all of the standards recommended therein

The fifth conclusion stated that interest rates should be "market related " There was a lengthy discussion on this issue, and on what the relevant market interest rate is The Chair brought up USAID's concern about the need for interest rates and fees to cover costs Someone said that interest rates should be similar to what commercial banks charge on their small business loans, but I pointed out that this is likely to be lower than what is necessary to cover costs of lending to poor microentrepreneurs In the end, the drafters were unwilling to state that interest rates and fees should cover all costs, but they did add a clause that rates should vary between commercial rates on small business loans and rates charged by moneylenders

Recognizing the time, we then skipped to the recommendations Several donors noted that several of the recommendations really belonged in other sections since they urged action on the part of governments or donors Some (e g , the UNDP rep) objected to the overall flavor of the recommendations which seemed to put too much reliance on donor support and not enough on what needs to be done to move towards financial viability He added that we needed to get our act together as donors and do more impact analyses, e g , via household surveys, to determine programs' effectiveness Happily, it was agreed to refer to the NGO/SHG performance standards in the final report Another issue that cropped up a number of times in the workshop was that of what donors should be funding NGOs made clear that they needed more financial support for capacity building, and that the ratio of loan funds to institutional development need to change drastically in favor of the latter Mr Bill Taylor, the VP of FDC was most adamant in supporting NGOs on this point Since it had gotten quite late by this time, it was decided that a sub-group would convene to finish revising the recommendations which would be submitted for final consideration on the last day

Bankers' Presentations

In the afternoon, another plenary session was held where bankers gave their presentations Unfortunately, I wasn't able to take very good notes on these presentations A couple did submit papers What follows is what I was able to pull out of my admittedly sketchy notes

Mr Balbido, the Philippines Banker (BPI) which lends to (among others), TSPI (a USAID-funded NGO), said that they have adopted a "graduation" program whereby for loan amounts exceeding TSPI's own maximum allowable amount, TSPI can endorse the loan in which case BPI will then lend directly to the client Mr Muthukumarana of the Hatton National Bank in Sri Lanka noted that his is the largest private bank in Sri Lanka It now has 14 NGOs actively participating in its microfinance program Their program requires compulsory savings by the

SHGs Mr Ismail Mahayudin of Bank Islam in Malaysia stated that they lend directly to the poor as well as to NGOs One problem they have is in targeting the poor Partly this is because the poor comprise only 3 percent of the population in Malaysia In addition, because they practice Islamic banking and hence charge 0 percent interest, it is difficult to determine who is really poor because there is excess demand for the loans!

Mr Jalilur Rahman Chowdhury (Janata Bank in Bangladesh) broke the record for speed talking, but he did pass out a paper which describes the five different poverty lending programs they implement (one of which, the Rural Finance Project, was initiated by USAID in 1978) The study gave some interesting comparative data, e g , on loan recovery rates (which range from 55-100%) [The Rural Finance Project, which is still in operation, has a loan recovery rate of 65%] Interest rates charged range between 9% to 12 5% per annum The study notes that it is not sufficient to cover costs It goes on to state that the "[m]arket rate should be charged in line with Grameen Bank and BRAC However, this will necessitate allowing commercial banks to operate outside the interest rate band circulated by Bangladesh Bank " It urges liberalization of interest rates to overcome this problem At present, despite the Central Bank's issuance of circulars advising banks to on-lend to NGOs, Janata Bank is not presently on-lending to any NGOs

Mr Rjeshwar Acharya (Rastriya Banijya Bank in Nepal) submitted a short paper describing his banks's BWTP program The program is rather small only $20,000 in total loans disbursed to 1718 borrowers Loans are extended to groups on the recommendation of the concerned SHO (grassroots NGO) The interest rate is 13% (presumably annual rate) No information was provided on cost recovery or repayment rates

Working Group on Banks

This session was relatively uneventful Minimal time was spent on the conclusions of the draft report Someone did object to the statement that the transaction costs study in India "established" that banks can save up to 41 percent in costs if they lend through NGOs and SHGs as intermediaries On the specific recommendations, it was suggested that banks, like NGOs, be required to follow some specified standards of performance Mr Montemayor (TSPI) suggested that banks establish a special unit to implement linkage programs Mr Jackelen said there was a danger of marginalizing the programs in the process Most of the recommendations were fairly innocuous and non-controversial (though not very substantive either) As a consequence, there was little substantive debate on them

Day Three

The morning plenary was devoted to talks by the Central Bank representatives These were generally quite interesting Mr Thapa, former Governor of Nepal Rastra Bank, and advisor to the FDC, asserted that central banks have to help create a conducive climate for microlending, citing the need to get rid of regulations such as collateral requirements and excessive reporting requirements He said that India had taken bold initiatives to operationalize the linkage mechanism and to reconcile the legal position of SHGs He also noted the fact that the Philippines' constitution officially recognizes the role of NGOs and POs, adding that governments in general need to more appreciative of their roles He also talked a bit about subsidies and the "damage" they have done

Mr Kalia (NABARD in India) gave a good presentation supported by a lengthy and informative paper on NABARD's linkage programs It began (in 1988) by conducting a survey of 46 NGOs in 11 states to study the functioning of SHGs promoted by them and the possibility of collaboration between the banks and SHGs in mobilization of rural savings and delivery of credit to the poor As an outcome of the survey, it launched a pilot linkage project in February, 1992 Under the scheme, banks advance loans either to the SHGs directly at an annual interest rate of 12% or through the SHPI (Self-Help Promoting Institution) [In the latter case, the interest rate charged to SHGs is the same, i e , 12%] SHGs are free to set their own interest rates to members and rates have varied between 18% to 36% NABARD provides 100% refinance to the banks at 6 5% per annum There are a number of basic principles that must be applied, e g , savings first and initially small loans As of June, 1994, 637 SHGs had established credit links with 16 commercial banks and 12 rural banks with loans totalling Rs 7 97 million 509 of the groups are exclusively women groups Their studies indicate good overall progress, excellent repayment rates (close to 100%) NABARD is conducting "sensitization workshops" in areas deemed promising for expansion of the linkage program The most common linkage model is that where banks deal directly with the SHGs with NGOs providing support via technical assistance

Mr Abdul Salam (Bank Indonesia) began by describing the GOI's new poverty alleviation program (IDT) which aims to reduce the absolute number of poor from 27 million at present to 12 million by the end of the current Five Year Plan (1999) The program uses the group approach to extend financial support ($10,000) to each village designated as less developed [He did not elaborate the role of Bank Indonesia in the program] He then described the deregulations which have been implemented in the financial sector, beginning with the elimination of the Subsidized Selective Credit Policy in 1983 (which liberalized interest rates) Interestingly, one of the reasons he cites for this policy reform was the inflationary pressures caused by the central bank refinancing which subsidized credit requires After discussing other policy changes, he then briefly described the linkage program and the role of the Central Bank Indonesia was the first country to implement the linkage program under the BHPK program (with support from GTZ) which commenced in 1988 Bank Indonesia provides technical assistance to participating banks, Self-help Promoting Institutions (e g , Bina Swadaya), and SHGs It also provides a refinancing facility (beginning in 1994) for 20% of the bank's loans to the group New financing will be made available from the ADB loan to commence in 1995 To date, there are 89 participating banks (includes small rural banks), 68 SHPIs, and 1,659 SHGs comprising 66,120 members It has mobilized savings of $1 million, and disbursed loans totalling $6 5 million The repayment rate is 96 5%

Working Group on Governments and Central Banks

This session went fairly quickly, there not being much substantive discussion Henry Jackelen (UNDP) advocated putting in a section describing the overall importance of financial sector development, recognizing that they are deficient in many of the countries I added that we had learned a great deal from the successful experience of financial reforms in countries such as Indonesia and about the importance of the policy and regulatory framework in facilitating the expansion of financial institutions Despite our and other donors' interventions, the drafters did not think it necessary or desirable to include any such statement The other recommendations here were for the most part non-controversial

Plenary Session on the External Agencies

There was a grand total of eleven speakers on this panel, so we had to speak quickly Still, it was a dreadfully long session [much like this trip report, I imagine] Henry Jackelen (UNDP) emphasized the need for "mainstreaming" BWTP, arguing that it shouldn't be seen in isolation of all the developments taking place in the field He also said that they were looking for more rigor, e g , data on the growth of loan portfolios, transaction costs, etc He stressed the need for what he calls "checks and balances" in the analysis and implementation of microfinance programs He also said (consistent with our own statement) that there is no one true path to achieving sustainable microfinance He also objected to being singled out in the report in terms of being expected to provide support for the linkage programs, and in general, thought the report placed way too much responsibility on donors

Mr Hartmut Schneider, Principal Administrator of the OECD Development Centre, informed participants that the Center had transaction costs on its research agenda He also thought it important to sort out empirically the cost of building capacity and consideration of how to finance these costs [a view which I'm sure was strengthened by the discussion of this issue at the workshop] Another research question he thought the Center would pursue is that of how costs differ by size of loan and other characteristics, and the extent to which cross-subsidization is possible

Mr Orlando Sacay of the World Bank in Washington described how the Bank's policy and program focus had shifted from rural finance (with an emphasis on helping the poor) to microfinance programs This in part reflected the very poor performance of many agricultural banks, noting that the WB even canceled a $300 million loan in one country because it was convinced financial viability could not be reached On the issue of financial viability, he contended that the problem was not one of recovery, but rather a transaction costs problem The Bank is undertaking case studies of successful programs (e g , TSPI and Bancosol) to determine what has been their process of growth, how these NGOs developed a sufficient volume of lending, and to determine the financial stages they passed through (referring to Otero and Rhyne's recent book on the subject) He then described the World Bank's proposal to establish a Consultative Group to the poorest of the poor (CGAPP) The CG mechanism would aim to 1) provide donors active in the field with a vehicle for structured learning and dissemination of best practices for delivering financial and other services to the very poor on a sustainable basis, 2) expand the level of resources reaching the economically active poor, initially through micro-finance programs, and 3) improve donor coordination for systematic financing of such programs The World Bank proposes to put up $30 million or 30% of the CG Micro-Finance Program funds, with the rest ($70 million) coming from other donors [In the session following this one, Mr Taylor asked whether any donors wanted to indicate their support for the concept, but since I did not know about the proposal prior to the Workshop, I was not in a position to make a statement]

Mr Albab Alkanda of the Asian Development Bank reviewed the major themes of the sessions, which included the nature and extent of poverty, the role of women, the different practices of NGOs, and the usefulness of group formation He said that one of the ADB's strategic objectives is poverty reduction [He had earlier passed out a paper on Poverty in Asia recently done by the Economics and Development Resource Center The paper, *inter alia*, shows a strong positive relationship between economic growth and the reduction of poverty in the region]

Dr Kropp of GTZ said that more research needed to be done on the role of NGOs in microfinance programs are they financial intermediaries or facilitators? He said that GTZ had provided approximately DM 80 million for four types of projects (including support of the PHBK program in Indonesia) He suggested the possibility of establishing a capital fund "in case NGOs want to become formal and register as a bank " [His position throughout the workshop was that NGOs should strive to be formally integrated into the banking system]

The representative from Norway, Mr Kikken Haugen, emphasized quality of the programs versus the size of grant funding to support them He said that NORAD had a "flexible" attitude with respect to subsidized credit He also said that while it was important to strengthen institutions, NORAD would support those with proven track records, and they may not all be NGOs

I presented our paper on USAID policies and programs which, judging from the comments I received afterwards, appears to have been well received by donors and other participants Other donors were particularly appreciative of our strong position on the need to achieve financial viability As mentioned previously, some NGOs also made it known (both in private and in the sessions) that they were striving to establish (and in some cases, spin off) fully viable financial institutions Mr Conroy of the FDC also assured me he would substantially revise his comments on USAID's policies in the final report and delete references to our "hard line" approach

Discussion on Conclusions and Recommendations on External Agencies

After all the presentations, we convened again to go over the conclusions and recommendations pertaining to external agencies There was considerable discussion on a number of the report's conclusions and recommendations Mr Jackelen suggested that the preamble to the recommendations contain some language recognizing that donors are not the only source of funds, and that countries' own civic societies should also be tapped Donors also objected to the contention that the linkage mechanism was the "best" method of microcredit delivery There was a lot of discussion on one conclusion which stated that cost recovery cannot extend to the "startup" and institutional development costs of NGOs and SHGs involved in microcredit activities The next day, we finally agreed on compromise language which says something like the following "Commitment to full cost recovery in microfinance programs is necessary recognizing the fact that start-up and institutional development of NGOs and SHGs may take a longer time and thus are appropriate components for external support " It was also agreed that the report should substitute "microfinance" for "microcredit" in recognition of the importance of savings services

Donors also objected to the recommendation that "a substantially larger quantum of resources to NGO institution-building as a matter of urgency, and in a proportion of around 25 75 in relation to loan capital supplied by the international financial institutions " Donors suggested that the report's recommendation would have greater credibility among donors if it used more tempered language, and also thought it unnecessary to prescribe set ratios of funding for loan capital vis-a-vis institutional support I should mention, however, that the drafters were adamant in their advocacy of greater financial support for institutional development, contending that donor unwillingness to devote funds for other than loan capital was a major constraint limiting the development of NGOs and SHGs in the field

Day Four

On this day we were taken on a field trip to the agro-tourism cite Mr Taylor developed We also visited a ginger factory Since the excursion did not relate to the themes of the workshop, I'll spare you the details [Perhaps I can chalk it up to comp time?]

Day Five

In the morning, the reports of the South Pacific and Mekong Basin Working Groups were presented The South Pacific WG report begins with a discussion of poverty in the region [Apparently there was considerable debate in the group on how to define poverty and what its scope is in the region] The consensus report refers to the "disadvantaged" groups, e g , women, rural farmers in Fiji not growing sugar cane, and youth who lack the skills to pursue work in the cash economy Rather interestingly, it asserts

> The disadvantaged in Pacific societies are those who are barely able to meet basic necessities, those who cannot meet their obligations to families and clans, who find it difficult to fulfill traditional and religious obligations, and who cannot meet aspirations for better quality of life, in terms of health, education, and access to employment and other opportunities

It then describes the savings and credit capacities of NGOs in the South Pacific, noting that there is a lack of "cash savings culture" in the Pacific in general It describes both the potential strengths of NGOs in promoting BWTP type microcredit and savings programs, but also acknowledges the constraints due to the limited capacity and experience of Pacific NGOs in microfinance [Interestingly, the report candidly states that "[m]any NGOs have poor financial standing which affects their financial credibility " The report describes prospects for forming bank/NGO linkages and options for initiating such programs It includes a long list of "appropriate roles for governments and central banks to facilitate microcredit programmes," and concludes with a list of recommendations The report recommends, among other things, that the FDC, in collaboration with donors and governments, conduct national workshops to assess existing microcredit programs for the disadvantaged and whether and how the BWTP concept and methodology can be implemented in the region Someone pointed out that the need to do groundwork before conducting the workshops In response to a request of indication of donor support for FDC organization of national and regional workshops, several donors (New Zealand, World Bank and ADB) said they would consider support as part of their overall assistance to the region

Next, the report of the Mekong Basin Countries Working Group was presented It notes that lending agencies are still in the early stages of development and that lending to farmers and other rural people is still limited It states that the "transition from state control to rural household production unit system has not yet been adequately followed up by alternative lending " It then describes national initiatives, noting that Vietnam and Lao PDR have established specialized banks to provide financing for agricultural and rural development, but that in Cambodia there is as yet no specialized bank to provide credit to the rural areas [The report mentions the NGO, ACLEDA, as the funding agency for medium, small and microenterprises] Vietnam was represented by two women from the Women's Union which has formed 10,000 groups to "receive credit and other facilities and to practise savings " The Vietnam Youth Union similarly encourages groups and has helped 43,000 rural poor out of a potential 20 5 million In Yunnan, China, the Yunnan Upland Management program (YUM) plans to introduce BWTP

Rather than give recommendations, somewhat refreshingly, the report lists five "future actions," which are fairly broad in nature Encouraging financial policies to stimulate savings mobilisation and availability of credit to the poor, establishment and strengthening of lending agencies to the rural and agricultural activities, and bridging the gap between the lending agencies and the end users through active participation of the NGOs, mass organizations and SHGs to facilitate access to capital, information and training are among the actions suggested It also suggests an assessment of present conditions of access to credit to accelerate the process of "Banking with the Poor " Interestingly, nowhere does it explicitly recommend adoption or even further study of the BWTP methodology, perhaps recognizing how far away these countries are from implementing such a system The omission prompted one participant (Bambang Ismawan from Bina Swadaya in Indonesia) to suggest that countries explore the concept and gain exposure to the BWTP programs being implemented elsewhere

The World Bank and ADB Proposal for Future Work

Before lunch, the World Bank representative, Mr Sacay presented his and the ADB representative's joint proposal for further action The three-part proposal recommends undertaking country-specific macroeconomic studies which would assess levels of poverty, identify bad policies, identify institutions working in poverty lending, examine the legal and regulatory framework for poverty alleviation, the role of government, and identify issues in each of these cases The second part of the proposal is to conduct case studies which would entail analysis of the macroenvironment and the delivery mechanisms in the selected case countries He suggested selecting three institutions in each country which would be examined for their capacity to achieve outreach and viability The third part consists of household level surveys to assess impact On how to finance, he said that the ADB already has a $300,000 project in the pipeline to do six country studies He said he would assist in finding the funding for the proposed case studies For the household surveys, he proposed that each country conduct an experts group meeting to initiate and oversee the surveys leading up to a national workshop After all the national workshops have been conducted, a regional expert group meeting could be held to consolidate findings This would take place sometime two years from now Mr Alkanda added that he supported the idea, adding that there was the need to take stock of the broader picture, i e , to examine financial intermediation as a process of bringing banking to the poor, and to adopt a more structured, global approach to the issue

It goes without saying, I suppose, that we should consider in each of our countries, as well as in USAID/W what if any role USAID should play in this While I got the impression that the World Bank was keen to take the initiative, we probably don't want to be left on the sidelines Moreover, as I noted earlier, it was well recognized at the Workshop what USAID's contribution has been in the research field and in supporting innovative and successful microfinance programs Clearly, our contribution to any donor-coordinated activity is vital to its success

Tabling of the Report

After lunch, the rest of the day was mainly devoted to reviewing the report's conclusions and recommendations which the drafters had worked to revise the previous day There was considerable discussion again on some items which had not been revised to reflect earlier discussions, but since I have covered most of the substantive discussions above, I won't repeat it here There was agreement to fine-tune and re-revise some, though not all, of the language which was still unsatisfactory to some participants Overall, the final product should be considerably improved over the initial draft, though it is important to point out (as Mr Jackelen did a number of times) that not all of its conclusions and recommendations were endorsed by all participants of the workshop (and in particular, the donors who were participants of the workshop but who are not considered members of the BWTP network)

Endnotes

The Workshop concluded with a round of thanks to the organizers for their dedication, commitment and hard work in preparing for and conducting the workshop All in all, the proceedings of the workshop were interesting, if not controversial More than anything else, the workshop was useful in making us all aware of the need for more systematic analysis of the state of microfinance in the region, and the role of NGOs and SHGs in expanding the access of the poor to financial services It also served to highlight what donor concerns were, with an emphasis on the need for objective analysis, detailed reporting, and the end goal of financial self-sustainability I appreciated the opportunity to participate in the workshop, to present USAID's policies, and to interact with a wide range of actors in the region

Suggested Follow-On

USAID/W and field missions should consider the World Bank's two proposals and whether or not USAID can and should participate, and if so, how As mentioned above, my own sense is that USAID's contribution is vital to their success