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# MICROFINANCE POLICY FORUM MODELS

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## EXECUTIVE SUMMARY

A desktop review has been conducted of six microfinance policy forums operating in Africa, Asia and Europe. The goal of the assessment is twofold: 1) to study the structural attributes of successful microfinance policy forum models in other countries, and 2) to review indicators of institutional capacity for successful advocacy and relevant examples, where available, within successful policy forums. The findings will inform recommendations on the development of an Egyptian Microfinance Policy Forum.

For purposes of this study, “policy forum” will be defined as a periodic event organized by microfinance industry stakeholders to facilitate discussion on sector best practices, develop consensus on the regulatory and legal framework needed to support industry growth, and promote high-level dialogue between the private and public sectors to advocate for any recommended changes to the enabling environment. A policy forum may exist as an individual entity or as a focus group within a larger entity, such as an association or network of microfinance institutions or practitioners.

A policy forum will be defined as “successful” if it can be shown to have contributed to the creation of an enabling environment for sustainable microfinance through effecting policy change. Of the six microfinance policy forums reviewed for this study, the two that appear to have had the most impact on microfinance policy issues in their respective countries are the Microfinance Forum (MFF) of Uganda and the Sa-Dhan Microfinance Association of India. Under the leadership of MFF, the passage of the 2003 Micro Deposit Initiatives Act has allowed qualified MFIs to accept deposits from the public and use them for on-lending. In the case of Sa-Dhan, many of its recommendations have been incorporated in the Government of India's 2005-6 Union Budget and the Reserve Bank of India's 2006-6 Policy Statement.

After a careful review and analysis of the structure of the six models and their capacity to perform advocacy, a set of recommendations has been provided for creating a national microfinance policy forum appropriate to the Egyptian context. This is followed by a summary table of the 6 forums studied, and a more detailed description of each model.

## **ANALYSIS**

Based on a review of six models for national microfinance policy forums located in six developing countries around the world, this study identified five attributes defining the organizational structure of such forums. A comparison of those attributes is provided below, with a focus on the two models identified as most successful in advocacy, the Microfinance Forum (MFF) of Uganda and Sa-Dhan of India. Six additional attributes were identified as being primary indicators of institutional capacity to engage in successful advocacy efforts.

### **Structural Attributes of Microfinance Policy Forums**

#### **1-Legal Status**

Three of the forums that were studied are registered as NGOs or housed within an NGO and three are not registered. India's oldest association of microfinance institutions, Sa-Dhan, is a legally registered NGO. The MFF is not registered but is chaired by the Minister of Finance.

#### **2- Meetings and Format**

The frequency of meetings varies from every one to three months. The meeting formats are a combination of workshops, seminars, task forces and working groups. Annual conferences have been held by two of the entities presented in this assessment. Sa-Dhan has a clear organizational structure including sub-groups for policy, capacity building, and microfinance industry standards. The policy sub-group holds monthly meetings. Meeting formats are a combination of conferences, seminars, work shops, committees and study tours. The MFF is organized into working groups and sub-committees.

#### **3- Members**

The membership of the majority of the forums presented in this study is made up of Microfinance Institutions (MFIs), donors and policy makers. Sa-Dhan includes 139 registered member institutions. The number of MFF members is not available.

#### **4- Main Activities**

The activities of the entities presented in the study encompass: facilitating policy dialogue, performing advocacy, drafting legislation, setting standards for the industry, research and information dissemination, networking, awareness raising, MFI capacity building and monitoring of the microfinance industry development. The main activities of the Sa-Dhan include participation in committees set up by high-level policy making bodies. MFF serves as an advisor to the Ministry of Finance and the Bank of Uganda. Both Sa-Dhan and MFF engage in dialogue with policy makers to foster changes in the enabling environment and in policy research and discussion.

## **5-Funding**

The majority of national forums included in this review are funded by donors or public funds, with the exception of Sa-Dhan, which relies on a combination of donors and membership fees. The MFF is USAID-funded.

## **Attributes Indicating High Institutional Capacity for Successful Advocacy**

### **1-Clear Mission**

Policy advocacy is a primary mission for both the MFF and Sa-Dhan forums.

### **2-Clear Goals**

In most forums, policy priorities are decided by regular stakeholder meetings. Some policy forums, such as the National Committee for Microfinance in the Philippines, are working towards effective implementation of existing National Microfinance Strategies.

### **3- Dedicated Resources**

The level of staff and financial resources dedicated to advocacy in each forum is unavailable.

### **4-Staff Capacity**

No information is available regarding the level of staff experience or training in advocacy for the six forums. However, as institutions, MFF and Sa-Dhan have eight and seven years of institutional advocacy experience respectively.

### **5-Champion**

Both the MFF and Sa-Dhan forums have close relations with government ministries: the Minister of Finance chairs the MFF, and representatives of Sa-Dhan are on various committees of governmental agencies and ministries.

### **6- Credibility of Experts Advocating for Policy Change**

Due to the size of Sa-Dhan, it has a pool of microfinance practitioners and experts from which it can draw when it comes to representation in the various committees that have been established to address microfinance policy issues on different levels.

## **Recommendations**

Given the demonstrated effectiveness of the Microfinance Forum (MFF) of Uganda and Sa-Dhan of India, this study recommends that the structural attributes of those organizations be married to attributes indicating high institutional capacity for successful advocacy to create an Egyptian Policy Forum characterized by the following: Defined legal status, clear organizational structure, extensive membership base, clear mission and

goals, dedicated resources, an industry “champion”, and credible experts to advocate for policy change.

Based on the findings of this study, advocacy should be a clear mission for the Egyptian entity. There should be clearly defined goals for advocacy efforts resulting from stakeholder consensus. In the case of Egypt, the National Microfinance Strategy document can be used as the ‘springboard’ for policy dialogue, with other issues considered by industry stakeholders as they arise.

Advocacy as a stated mission has special relevance in Egypt because according to Law 84 of 2002, NGOs must be registered by the Ministry of Social Solidarity which has the right to dissolve an NGO operating outside of its approved mandate. Any policy forum initiated in Egypt must therefore be registered or housed within a registered NGO. The most likely candidates are the Egyptian Small and Microenterprise Association (ESMA) or the newly established Egypt Microenterprise Network (EMN). NGOs receiving funding from foreign organizations in Egypt have to notify the Ministry of Social Solidarity of receipt of funds that they are free to use, if, during a sixty day period, the Ministry has not objected.

There should be dedicated staff and dedicated financial resources for advocacy. Staff should be experienced and/or trained in advocacy. Given that there has been no formal organized industry-level advocacy effort on behalf of the Egyptian microfinance industry, advocacy training will be needed to build staff capacity

There should be a “champion” or supporter for the forum - whether a government ministry, a powerful political figure or government official, or a group of well-connected industry stakeholders with the clout to influence changes in the enabling environment. Given the importance of networking and personal relationships in Egypt, excellent communication channels with relevant policy makers are important to advocating effectively and in persuading a high profile person to ‘champion’ industry issues. For example, relationships that evolved over the course of development of the national microfinance strategy in Egypt, helped gain the buy-in of several governmental agencies and ministries.

Finally, an Egyptian policy forum must include a broad base of members, both to pool and mobilize expert resources to advocate for industry positions, and to give credibility to policy positions as representing a broad portion of the industry, thereby helping to garner “champion” support. The industry experts advocating for policy change must be respected and credible.

## MICROFINANCE POLICY FORUM MODELS SUMMARY TABLE

	Uganda	The Philippines	Georgia	Rwanda	Vietnam	India
<b>Criteria</b>	<b>Micro-finance Forum</b>	<b>National Committee for Microfinance in the Philippines</b>	<b>PCB Forum for institution building</b>	<b>Rwanda Micro-finance Forum (RMF)</b>	<b>Micro-finance working group</b>	<b>Sa-Dhan policy sub-group</b>
<b>Year of formation</b>	1998	2005	2003	2002	2004	1999
<b>Legal Status</b>	Not registered	Not registered	Not registered	Registered NGO	N/A Housed in the Vietnam Union of Friendship Organization (VUFO)-NGO resource center	Sa-Dhan is registered as an NGO
<b>Meetings</b>	Monthly	Monthly	At least every quarter	N/A	Every 2-3 months	Monthly
<b>Format</b>	Working Groups	Seminars, Forums, Conferences	Working group	N/A	Workshops	Conferences, Seminars, Workshops, Committees, Study Tours
<b>Number of Members</b>	N/A	10 committee members	N/A	43 member institutions	50 individuals and organizations	139 member institutions
<b>Membership Composition</b>	Ministry of Finance, Central Bank of Uganda, MFIs, donors and practitioners	Policy makers, practitioners and microfinance industry stakeholders	Donors, MFIs	Donors, MFIs	MFIs, policy makers	MFIs, NGO-MFIs, Technical and Capacity Building Organization
<b>Purpose</b>	Policy Advocacy and Lobbying	Policy Advocacy, Product and Service Development	Policy Advocacy	Policy advocacy, MFI capacity building	Policy Advocacy	Policy Advocacy
<b>Achievements</b>	Serves as key forum for all stakeholders.  Effective at lobbying for policy change.  Included the input of all stakeholders in the resultant MDI Act.	Memorandum agreement on performance standards for the MF industry signed.  MFI practitioners received training.  Increased public awareness on microfinance.	Established legal action committee.  Decision reached to amend current legislation.  Policy Position Paper was issued.  Raised public awareness on microfinance.	Lobbies the government to introduce new legislation to regulate the microfinance industry.  Helped unify microfinance industry standards.	Collaborated with State Bank of Vietnam on developing new legal framework on microfinance.	Policy advocacy has resulted in concrete action taken by the Government of India and the Reserve Bank of India to increase and facilitate the availability of microfinance service provision through banks, MFIs, MFI-NGOs and Self Help Groups (SHGs).

	<b>Uganda</b>	<b>The Philippines</b>	<b>Georgia</b>	<b>Rwanda</b>	<b>Vietnam</b>	<b>India</b>
<b>Funding</b>	USAID	Government, donors	USAID	National Bank of Rwanda (BNR), Netherlands Development Agency (SNV) and USAID	Donors	International donors, membership fees

# **MICROFINANCE FORUM MODELS**

## **UGANDA MODEL**

### **Micro-finance Forum**

**Established:** 1998

**Legal Entity:** Not Registered

**Meetings Frequency:** Monthly

**Format:** Working groups or sub-committees

#### **Purpose:**

- Facilitate coordination and cooperation among stakeholders with an interest in the microfinance sector.
- Provide stakeholders with official information on the microfinance industry and provides information to orient newly-created MFIs.
- Discuss issues concerning microfinance and in particular regulation and supervision.
- Serve as a lobby group to advocate for the interests of MFIs.

#### **Activities:**

- Serves as a key forum for all stakeholders to address microfinance policy issues.
- Acts as 'guardian' of good practices for the microfinance industry - e.g. advised the International Fund for Agricultural Development (IFAD) on the best use of their funds for a rural finance project.
- Advises the Ministry of Finance and the Bank of Uganda and prepares for them policy statements on microfinance.

#### **Achievements:**

- Coordinated stakeholder technical input for the 2003 Micro-Deposit Initiatives Act (MDI).
- Developed a three year national microfinance outreach plan (June 2003-June 2006) that is monitored by the Ministry of Finance Planning and Economic Development.

**Organized by:** Donors, MFIs and the Ministry of Finance

#### **Participants:**

- Ministry of Finance
- Central Bank of Uganda
- MFIs
- Donors

- Practitioners

**Funded by:** International donors and public funds

## **THE PHILIPPINES MODEL**

**National Committee for Microfinance in the Philippines**

**Established:** 2005

**Legal status:** Not Registered

**Meetings Frequency:** Monthly

### **Format:**

- Seminars
- Conferences
- Forums

### **Purpose:**

- Build a conducive policy environment for microfinance.
- Promote sustainable microfinance institutions.
- Develop responsive microfinance products and services that ultimately benefit the microfinance clients and empower them to improve their lives.

### **Activities:**

- Disseminate information on microfinance best practice to a wide audience through a series of events.
- Organize training seminars for banks and MFIs.

### **Achievements:**

- The Philippines Declaration on Microfinance was signed and a Memorandum Agreement on performance standards for microfinance institutions was introduced.
- The Year of Microcredit was incorporated in the daily life of citizens through the introduction of a 20-Piso banknote with the imprint of the Year logo. The 20-Piso banknote is the most widely circulated note in the Philippines.

**Organized by:** The Philippine Central Bank

### **Participants:**

- Philippine Central Bank
- Asian Institute of Management

- National Anti-Poverty Commission
- National Confederation of Cooperatives
- Rural Bankers Association of the Philippines
- UNDP
- People's Credit and Finance Corporation

**Funding:** Government of Philippines

## **GEORGIA MODEL**

### **Policy Coordinating Body/Legal Action Committee**

**Established:** 2003

**Legal Status:** Not Registered

**Meetings Frequency:** Quarterly or more often if deemed necessary.

**Format:** Committee

#### **Purpose:**

- Discuss priority legal reform issues to ensure a legislative environment conducive to the long-term sustainable development of the microfinance industry in Georgia.

#### **Achievements:**

- Established a Legal Action Committee comprised of legal counsel from MFI practitioners to develop resolutions to identified legal constraints.
- Reached consensus on making amendments to the current legislation before introducing new specialized legislation
- Developed a Policy Position Paper (PPP) of changes to current legislation that was deliberated with the relevant government entities and concerned stakeholders.

**Organized by:** USAID-funded Georgia Microfinance Stabilization and Enhancement Activity

#### **Participants:**

- MFIs
- Donors

**Funded by:** USAID

## **RWANDA MODEL**

### **Rwanda Microfinance Forum**

**Established:** 2002

**Legal Status:** Registered NGO

**Meetings Frequency:** Not Available

**Format:** Not Available

#### **Purpose:**

- Create common ground among microfinance institutions of different size and in different stages of development to promote a healthy, harmonious and efficient development of microfinance in Rwanda.

#### **Activities:**

- MFI capacity building
- Policy Advocacy
- Research and information dissemination

#### **Achievements:**

- The RMF has been instrumental in lobbying the government to introduce new microfinance legislation to regulate the industry.
- Unified microfinance standards.

#### **Funded by:**

- National Bank of Rwanda (BNR)
- Netherlands Development Organization (SNV)
- USAID

#### **Participants**

- MFIs
- Donors

**Funded by:** National Bank of Rwanda (BNR), Netherlands Development Agency (SNV) and USAID

## **VIETNAM MODEL**

### **The Microfinance Working Group**

**Established:** 2004

**Legal status:** Not registered. Housed in the Vietnam Union of Friendship Organization Resource Center.

**Meetings Frequency:** Every two to three months.

#### **Format:**

- Study tours
- Workshops

#### **Purpose:**

- Focus on advocacy activities to support the approval and implementation of the decree on microfinance.
- Provide an opportunity for microfinance practitioners to learn from one another and come to consensus on general principles and guidelines in order to speak with a unified voice.

#### **Activities:**

- Information dissemination
- Facilitation of policy dialogue
- Networking

#### **Achievements:**

- Facilitated the dialogue with the State Bank of Vietnam (SBV) and NGO community on the development of the draft decree for the regulation of microfinance institutions. Decree 28 was approved in March 2005.
- Substantially improved the networking and information sharing of Vietnam's NGO-MFIs.

#### **Organized by:**

- Action Aid
- Australian Foundation for the Peoples of Asia and the Pacific (AFAP)
- Belgian-Vietnamese Credit Fund
- Plan International
- Save the Children
- Netherlands Development Organization (SNV)
- Vietnam Women's Union

- World Vision

**Participants:** 50 organizations composed of NGOs, Donors, Investors, Researchers and Regulators

**Funded by:** International Donor Agencies

## **INDIA MODEL**

**Policy Sub-Group of Sa-Dhan Association of Community Development Finance Institutions**

**Established:** 1999

**Legal Entity:** Housed in Sa-Dhan, a registered NGO

**Meetings Frequency:** Monthly

### **Format:**

- Workshops
- Seminars
- Study Tours
- Annual Conference
- Representatives on committees and task forces of various governmental ministries and institutions: Reserve Bank of India, Ministry of Finance, National Bank for Agricultural and Rural Development (NABARD), Ministry of Urban Employment and Poverty Alleviation.

### **Purpose:**

- To advocate for the formulation and development of policies to strengthen the provision of community development financial institutions' services to low-income households in order to build stable livelihoods and improve the quality of life.

### **Activities:**

- Participation in committees set up by the highest policy-making bodies such as the Ministry of Finance and the Ministry of Urban Employment and Poverty Alleviation.
- Continuous dialogue with policy makers to foster policy changes in microfinance.
- Networking with all relevant stakeholders.
- Annual common platform to bring stakeholders together to discuss policy issues.
- Research initiatives to identify the critical policy issues that need to be addressed.

### **Achievements:**

- Creation of a Microfinance Development and Equity Fund in NABARD in 2005.
- The provision of micro-insurance through agents including NGOs, MFIs, and self-help groups (SHGs) has been approved by the Government of India 2005-2006 State Union Budget.
- Commercial banks may accord qualified MFIs bank correspondent status to perform transactions on their behalf.
- In the 2005-6 Annual Policy Statement, The Reserve Bank of India announced policies requiring banks to provide services that are inclusive of the needs of the under-privileged- e.g. All banks have to make available a 'no-frills' account with low minimum balance and low charges.
- Following a four-year ban, the RBI has re-opened the external commercial borrowing (ECB) window to qualified NGO-MFIs. They are permitted to access external commercial borrowings (ECBs) of up to \$5 million per year to be used for on-lending activities.
- The RBI is working on the details of allowing banks to adopt the agency model by using the infrastructure of civil society organizations, rural kiosk and village knowledge centers for providing credit to rural and farm sectors and the appointment of microfinance institutions to act as banking correspondents

**Organized by:**

- SEWA Bank
- BASIX, Dhan Foundation
- Friends of Women's World Banking
- Mysore Resettlement and Development Agency (MYRADA)
- Rashtrya Gramin Vikhas Nidhi (RGVN)
- SHARE
- Professional Assistance for Development Action (PRADAN)

**Participants:** Total number of members is 139 institutions composed of NGO-MFIs, MFIs, Technical and Capacity Building Providers

**Funded by:** Donors, membership fees