



Banking with the Poor

FDC's microfinance initiative, **Banking with the Poor (BWTP)**, is the flagship of its Financing Development program. Microfinance refers to the provision of a broad range of financial services to low-income households and microenterprises with limited access to financial services.

This newsletter outlines FDC's current microfinance activities including updates on:

- Recent press coverage
- New publications
- Related events

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Banking with the Poor Network completes membership survey

Methodology

The survey was conducted over the months of November and December 2002, with some answers received early January 2003. Twenty-six high-level managers completed the survey on behalf of twenty BWTP member organisations (57% rate of participation), in majority from commercial banks (42%) and NGOs/MFIs (35%) located in South and South East Asia.

Mission and Goals

BWTP members prefer a network deeply rooted on the interaction between commercial actors and community-based organisations (groups, NGOs, MFIs) but open to every organisation with a high profile in microfinance, working at local, regional or international level.

Among the main goals, respondents favoured the exploration of innovative ways of doing microfinance in Asia, a better understanding and dissemination of Best Practices in microfinance across Asia, and promoting banking institutions in microfinance and linking them with other actors in the field. At sub-regional level, establishing standards and highlight success stories were rated most important, while at national level, strengthening local microfinance networks was the priority.

Activities

The members gave a strong preference to capacity building (best practices, product development...) as the main activity of the network, ahead of information dissemination (newsletter, website...), research (commercialisation...) and advocacy/policy-development (market research, financial support...).

Membership

Along with the survey documents a membership renewal form was sent to the members enrolled in the BWTP network as of 1997. By sending back the completed form 57% of members have renewed membership for the period 2002-2003.

Microfinance staff

Pascal Marino

Specialises in Asia and leads FDC's research on microfinance in conflict situations.

Stuart Mathison

Focuses on the Pacific region, and leads FDC research on microfinance in communities affected by HIV-Aids.

FDC associate consultants

Dr John Conroy

Acts as FDC special consultant and Executive Committee member of the BWTP Network. Dr Conroy focuses on issues related to central and commercial banks and has been a key player in APEC on microbanking and small enterprise development.

Ms Robyn Cornford

Collaborates with FDC as a consulting associate and is contracted as team leader for the Microcredit Consolidation Project in Qinghai, China.

Microcredit Summit+5: some comments...

Pascal Marino, FDC representative attended the Microcredit Summit+5, held in New York City, USA from the 10 to 14 November 2002

Positives: Interesting forum to learn from microfinance experiences around the globe, listen to industry leaders and network with participants.

- ↑ Interesting papers presented during plenary and parallel sessions, complemented by selected workshops (among sixty listed) on a great variety of topics.
- ↑ High publicity given to the microfinance industry by the presence of political leaders such as Vicente Fox, President of Mexico, the Deputy Prime Minister of Thailand, the First Lady of Pakistan and Hillary Clinton.
- ↑ There were interesting debates and discussions on microfinance thanks to the presence of microfinance leaders. Among the presenters and panellists were Muhammad Yunus from the Grameen Bank, Elizabeth Littlefield, Director of CGAP, Mr. Kumar, Managing Director of SHARE India, David Gibbons from CASHPOR, Yogesh Nanda, Chairman of NABARD in India, Christopher Dunford, President of Freedom from Hunger, Katherine McKee, Director of the office of Microenterprise Development, USAID, John Hatch from FINCA and Nancy Barry from WWB.

Negatives: The Summit had a highly ideological content, in support to its pro-poor(est) microfinance agenda, and provided some confusing messages on the approaches to take.

- ↓ The highly politicised opening ceremony was taken over by politicians, with the only practitioner being Mr. Yunus.
- ↓ Despite the fact that women empowerment was central to the MCS+5 women took a secondary role on stage, especially during the opening ceremony.
- ↓ The sustainability agenda was mostly overlooked, often forgotten. Organisations like CGAP, WOCCU, Bank Rakyat Indonesia, the Asian Development Bank, Bancosol and other commercialisation followers had a very limited (or non-existent) role due to their approach to microfinance.
- ↓ Despite the official grassroots (reach the poorest) agenda, the MC Summit took place in one of the most luxurious hotel in one of the richest cities in the most wealthy country in the world.
- ↓ Every single organisation participating to the presentations seem to have a long, rich and successful experience in Microfinance, (even some UN agencies for example), sometime for decades! Some discussants seemed more interested in "selling" their organisations than providing a productive feedback on the papers discussed.
- ↓ There were confusing messages related to the successful implementation of microfinance programs, given that the sustainability issue was little discussed and that the integration with health/education/non-financial packages seemed easy and almost without costs!

The FDC representative was able to meet with some members of the BWTP network and had productive discussions with a number of organisations interested in joining or supporting the network.

APEC interest in microbanking

In December 2002, John Conroy, FDC special consultant, participated to a meeting of APEC Studies Centers in Bangkok where he presented a paper "Microenterprise Development and Microbanking in APEC: A review of outcomes in 2002 and prospects for 2003"

Press coverage

India

The then US Treasury secretary, Paul O'Neill was in Andhra Pradesh, where he visited Share Microfin limited, the most successful Grameen Bank replication with 120,000 clients. The *Hindustan Times* (21 November 2002) reported that Mr. O'Neill was impressed by the entrepreneurship skills of rural women and the work done by SHARE and will look at the possibility of funding from the World Bank, IMF and US banks.

Through *Business Times* (23 November 2002), we learn that the government is considering bringing co-operative banks under the Banking Regulation Act, as a number of frauds have been discovered recently, involving large amounts of deposits embezzled.

A national microfinance workshop on "Key dimensions in transformation from NGOs to formal institution", took place between the 12 and 14 December 2002 in Hyderabad (*the Financial Express*, 12 & 13 Dec. 2002).

Three new commercial banks have launched their microfinance programs (*The Financial Express*, 3 January 2003), HDFC Bank working with ten NGOs is already reaching 50,000 people, Citibank is partnering with NGO as well, while ICICI Bank also started its own program.

Pakistan

The Agricultural Development Bank of Pakistan (ADBP) is reported in *Daily Times* to have disbursed Rs.13.9 million over the period July-September 2002 through a microcredit scheme targeting women.

Reported in different Pakistani media, Paul O'Neill at the Pakistan-United States Joint Economic Forum (JEF) on 12 November 2002 praised the development of microfinance in Pakistan and its impact on poverty alleviation. He later visited the Khushhali Bank, founded in 2000 and reaching already 100,000 households in 33 districts.

Philippines

The Central Bank of the Philippines –BSP- (*Business World*, 27 November 2002) cut the risk weight on SME loans from 100% to 75%. In doing so, BSP takes early steps before the proposed New Basle Capital Accord implementation in 2006, requiring a similar level of risk weight for exposures to SME loans. This measure is likely to give a 33% boost to SME and microfinance loans in the Philippines.

Arab News (5 January 2003) recounts that returning Overseas Filipinos Workers (OFWs) would now benefit from a P100 million-microfinance scheme implemented by PCFC (a BWTP member) and its MFIs partners.

Bangladesh

China Daily (8 November 2002) highlights the work of the Foundation for Alleviation of Rural Poverty which provides microcredit and other services such as family welfare, health and education. An unusual feature is that the Foundation only lends to people with at least a primary education, able to sign their loan documents, in order to encourage schooling. The Foundation is reported to be the third largest MFI in Bangladesh, behind the Grameen Bank and BRAC, and is funded by CIDA.

Vietnam

Reported by *Asia Pulse* (27 January 2003), the Capital Aid Fund for the Employment of the Poor (CEP), a Grameen Bank replication, expands its outreach by targeting 12,000 additional clients in Ho Chi Minh City in the coming years. CEP is funded by AusAID.

Words from leaders

"As these (microcredit) programs come increasingly into vogue, however, they should not become victims of their own success. Governments would do well to heed the advice of respected pioneers in the field like Women's World Banking, which worries that microcredit will become so commercialised that it becomes keyed to better-off borrowers. Nor should microcredit programs be overrun by politically motivated government handouts".

New York Times editorial
12 November 2002

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Thailand

24 officials from the Bank for Agriculture and Agricultural Co-operatives (BAAC) were reported in the *Bangkok Post* (14 December 2002) to have been involved in a suspect land deal for the bank's new head office, and questioned by a Senate special committee.

The Krung Thai Bank (*Bangkok Post*, 5 November 2002) expects to lend 500 million bath under its microbanking programme, mirroring similar programs undertaken by the Government Savings Bank and BAAC.

China

In *People's Daily* (20 November 2002), we read that the Funding the Poor Co-operative (FPC) has been granted a US\$1.3 million donation from Citigroup to undertake microcredit activities. So far the FPC has provided US\$8.2 million to over 15,000 poor farmers.

In an *Financial Times* article (24 January 2003) we learn that among financial reforms in China, the Rural Credit Co-operatives (RCC) are given more latitude to set lending rates but are planned to be overhauled because of high non-performing loans ratios. Microfinance is described as having taken off in rural areas and needing to be promoted to alleviate poverty in rural areas.

New publications

The Commercialization of Microfinance, edited by D. Drake and E. Rhyne, ACCION International . 2002

The book documents the experience of commercialization in microfinance to date and address key issues related to bringing microfinance in to the commercial realm. It covers trends in the industry as well as case studies in MFIs that are operating as commercial entities. It includes contributions from Robert Christen (CGAP), Anita Campion (Chemonics), Liza Valenzuela and Barry Lennon (USAID), David Richardson (WOCCU) and Maria Otero (ACCION).

Theme issue: the commercialization of microfinance, in *Small Enterprise Development*, Volume 13, Number 4, December 2002.

This special edition provides a complementary approach to the book presented above, focusing on the experiences of banks in microfinance, including the NABARD linkages scheme and looking at the lessons learned from downscaling, while providing a tribune to an opponent to commercialization.

Microfinance by numbers

TSPI, a BWTP member, reports as June 2002 reaching 50,000 savers (an increase of 26% over the last six months) and a total loan portfolio of \$1.7 million US\$.

Calendar of key events

March-April 2003: Microfinance courses organised at the ILO International training Center in Turin, Italy. Topics: management, business planning, micro-leasing and microinsurance.

Contacts

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Words from leaders

We agreed that micro-financing is crucial for the expansion of micro-enterprises, and we praise efforts to develop and promote market-based micro-finance to assure micro and small businesses and entrepreneurs have access to capital. We agreed that government action should create an enabling policy environment and a legal and regulatory framework for the growth and expansion of sound and sustainable micro-financing intermediaries, fostering their gradual and full integration into the domestic financial system.

Declaration of 21 APEC leaders, endorsed at summit meeting on 27 October 2002

