

### Editorial

This issue of the BWTP Newsletter appears after an interval of more than a year, during which the Foundation for Development Cooperation experienced both success and achievement, loss and sadness.

1995 commenced with official recognition by the Government of Australia of the lifetime achievements of our Founder, K William Taylor. It ended sadly with his passing. Our Chairman, Dr Brian Scott, other members of our Board of Governors including Mr Stephen Taylor, and our staff are determined that the Foundation shall continue with vigour to seek the objectives laid down for it by its late Founder. This should be evident from the activities reported in this issue.

It is significant that 1995 also saw new international recognition of the importance of microfinance for poverty alleviation, with the establishment of the World Bank's Consultative Group to Assist the Poorest (CGAP). The Consultative Group has recognised *Banking with the Poor* as a significant microfinance movement. FDC was selected as a member of CGAP's Consultative Forum of Microfinance Practitioners. And the Consultative Group has recently announced it will fund a BWTP Network meeting, to be conducted in Singapore in July.

Also reported in this issue is the publication of another landmark report, *Best Practice of Banking with the Poor*, which is a successor volume to the original *Banking with the Poor*, published in 1992. We profile Stephen Taylor, who is maintaining the Taylor family connection with the Foundation, and introduce our newest staff member, Paul McGuire.

### Bill Taylor remembered fondly

Many people will know that our Founder and Vice Chairman, Mr K William Taylor AO, passed away on 29 December 1995 after a long illness.

The Taylor family and the Foundation have received many heart-warming expressions of regard for Bill. He will be sadly missed by all those who knew him. An obituary is included as an insert in this Newsletter. It appeared in the March 1996 edition of Focus, a quarterly magazine produced by AusAID.

During his final months, Bill gave considerable thought to the future direction of the Foundation. He took the opportunity to have discussions with the Chairman, the Executive Director, other Governors, and the Foundation's Senior Consultant, Mr Thapa. He also participated by telephone hook-up in the Board meeting held on 27 November 1995.

A generous financial gift from Bill to the Foundation will, in part, help to ensure that it continues to pursue its objectives with vigour.

### BWTP Network meeting in July

The Banking with the Poor (BWTP) Network consists of commercial banks and NGOs engaged in microfinance in eight Asian countries. The Network has evolved considerably since 1991. Members have participated in three Asia-Pacific regional workshops, in Manila (1991), Kuala Lumpur (1992) and Brisbane (1994). Efforts are now being made to add a ninth country, Thailand, to the Network.

An important meeting of the Network will be held in Singapore from 8-10 July 1996. The World Bank through the Consultative Group to Assist the Poorest (CGAP), has provided a grant in support of the meeting. The meeting will discuss a number of critical issues relating to the BWTP Network.

Most importantly, members will consider a proposal that the Network be formalised. This will enable the Network to represent its members better in international forums, and to access funding from international and bilateral agencies more easily. There are a number of issues that will need to be discussed:

- what form of association will best enable the Network to move, over time, to become a self-governing and independent entity
- the most appropriate form of governance, given the requirements of national governments, funding agencies, and members themselves
- the role of the Foundation in the Network, and
- how the Network can be financially sustainable.

A World Bank official from the CGAP Secretariat will address the meeting on the increased emphasis on microfinance by international financial institutions. The meeting will discuss the relevance of these developments for the BWTP Network, and how the Network can be accredited by CGAP and other agencies.

Another key issue relates to international standards for accounting and financial reporting for microfinance institutions. Funding agencies are increasingly requiring that institutions adhere to these standards to qualify for support. Such standards are also an important management tool. The meeting will enable Network members to improve their understanding of the requirements in this area.

The meeting will also explore the potential for electronic information exchange. The creation of the Internet and World Wide Web gives rise to exciting possibilities. Members will be asked to consider establishing a Web site for the BWTP Network, with links to the PAN Asia Network of the International Development Research Centre in Singapore.

It will also be necessary to plan future activities of the Network, in support of sustainable linkages between commercial banks, NGOs and self-help groups of the poor. These will include:

- a commitment by members of the Network to exchange information, technologies and personnel in support of best practice
- action research programs to explore every aspect of best practice of banking with the poor, and
- a commitment to continued vigorous advocacy of the principles of Banking with the Poor, both within the Asia-Pacific region and more widely.

There will also be an opportunity for Network members to review current developments in banking with the poor and to exchange experiences.

The Foundation's Senior Consultant in microfinance, Governor Ganesh Thapa, has visited all Network members in recent months in preparation for the Singapore meeting.

#### **Profile - Stephen Taylor**

Stephen Taylor has taken a higher profile with the Foundation and is enjoying a closer involvement in its activities and ongoing growth since his father passed away.

Stephen will already be well known to many BWTP partners. He has grown up with a strong commitment to development cooperation, and has been on the Board of Governors of the Foundation since it was established in 1990.

"The Foundation and its achievements really represent the culmination of my father's life's work since he began his professional career as a young man in the United Nations in the late 1940s. He maintained a strong, personal commitment to the needs of the poor and underprivileged in developing countries and to helping them to help themselves.

Late last year my father prepared a document for discussion by the Board acknowledging that the Foundation had established a good track record of performance since its inception. This track record was based upon a new and sound philosophy of self-reliance, breaking away from traditional forms of 'aid donor' relationships and paternalism. I am keen to continue this new philosophy and am excited by some of the initiatives our Board has been discussing to further the growth of BWTP, as well as other development cooperation projects."

In April, Stephen Taylor visited the Philippines on behalf of the Foundation, and attended the Summer Camp of APPEND. He was impressed with the commitment and business-like approach of APPEND members to microenterprise development, and their positive working relationships with several Philippine financial institutions. He also held fruitful discussions with a number of other organisations, including the Asian Development Bank, Bank of the Philippine Islands and Bankers' Association of the Philippines.

Stephen is well placed to play a key role in the Foundation, with considerable experience in tourism and international business. He is currently Managing Director of Tourism Potential Pty Ltd, a firm that prepares tourism market and feasibility studies, business plans, economic impact studies and forecasts.

From 1992 to 1994 he was General Manager of the National Centre for Studies in Travel and Tourism. Prior to that, Stephen worked for a number of years in the tourism industry in Australia and United States, and was involved in the development and operation of two leading visitor attractions.

Stephen Taylor holds a Master of Business Administration and Bachelor of Business from the University of Queensland. He is married with one son.

## **Staff changes**

The Foundation has a new program officer, Paul McGuire, who commenced in February 1996. Paul replaces Mark Otter, who has returned to AusAID.

So far, Paul has been working mainly on issues to do with Banking with the Poor. Some of you will know him as the voice on the telephone hassling you about your financial data.

Before joining the Foundation, Paul spent two years in the Cook Islands with the Australian Volunteers Abroad program. He worked as a Senior Economist in the Ministry of Economic Development and Planning, dealing with a wide range of macroeconomic and development issues.

Prior to that, Paul spent ten years in the Australian Public Service, working in the Treasury Department and the Department of Industrial Relations. He also did a stint at the Organisation for Economic Cooperation and Development (OECD) in Paris.

Paul has a Bachelor of Commerce degree with honours in economics from the University of Melbourne.

## **Microenterprise development study tour**

The Foundation's Mark Otter, together with Angus Barnes of AusAID, led a highly successful microenterprise development (MED) study tour to the Philippines and Bangladesh in June-July 1995.

Mark and Angus led a team with four participants from each of Cambodia, Laos and Vietnam, and one from China. All had experience in poverty alleviation programs, and at least some exposure to credit schemes. The two-week tour was funded by AusAID.

There is a great deal of interest in MED in the countries in the Mekong region as they move to establish more market-based economic systems. However, there is little practical knowledge about MED and how to encourage it.

The Philippines and Bangladesh, by contrast, have a number of well-trying models. Bangladesh has more experience with microfinance than any other country, with a variety of models being used. The Philippines has a very vibrant NGO community engaged in a range of MED activities, including microfinance.

In the Philippines, the group received a number of lectures and briefings from the Alliance of Philippine Partners for Enterprise Development (APPEND). These covered issues such as poverty, the financial system and microfinance. The group also had presentations from and visited projects by BWTP network members KMBI and TSPI.

In Bangladesh the group visited the Grameen Bank, and was privileged to be briefed by its founder and Managing Director, Professor Muhammad Yunus. It also visited branch offices of the bank, observed centre meetings and visited projects. In addition, the group visited a number of NGOs. These included the Bangladesh Rural Advancement Committee, and new BWTP partner the Shakti Foundation.

All participants found the tour worthwhile, interesting and relevant. They were able to document findings which could be applied in their home countries. An important lesson was that credit components of MED programs should be separately accountable, and should have a clear timetable for achieving sustainability.

Group members also made useful contacts within the region for exchanging information and technical assistance. Participants even suggested a follow-up tour of the Mekong countries and China to evaluate progress in establishing MED programs.

## **BANK POOR '96**

The Asian and Pacific Development Centre in Kuala Lumpur is hosting a Regional Workshop on Microfinance for the Poor from 3-5 December 1996, to be called BANK POOR 96. This major meeting of microfinance institutions will be funded by the UNDP under its Regional Poverty Alleviation Program.

The Foundation is representing the BWTP Network on the Planning Group for BANK POOR 96. Executive Director John Conroy attended the first meeting of the Planning Group on 25-26 April, and nominated all BWTP Network member organisations to attend BANK POOR 96. Other major networks in the Asia-Pacific region are also represented on the Planning Group.

Prior to BANK POOR 96, country studies will be prepared providing up-to-date information on microfinance throughout Asia and the Pacific. FDC's newly-appointed Program Officer, Paul McGuire, will visit a number of Pacific Island countries to review the development of microfinance for BANK POOR 96.

BANK POOR 96 will be the first ever region-wide meeting of all major organisations providing credit for the poor. It follows the precedent established in the BWTP regional and national workshops in bringing commercial banks, NGOs and international organisations together in a single forum.

### **Best Practice of Banking with the Poor**

An important new report on Banking with the Poor was released in June 1995. It represents the outcome of activities funded by the UNDP under its Regional Poverty Alleviation Program for Asia and the Pacific.

The report, Best Practice of Banking with the Poor, was discussed extensively at the Third Regional Workshop in 1994, and then revised. Production costs were funded by the Asian Development Bank.

Best Practice builds on the original Banking with the Poor report. Since that time, scores of commercial banks and NGOs have taken up the challenge to link up and lend to the poor. Thousands of new self-help groups of the poor have been established.

The report takes advantage of this greater pool of experience. It documents and highlights the best approaches by banks and NGOs to banking with the poor, drawing heavily on the experience of BWTP Network members. Best Practice also analyses how governments, central banks, international financial institutions and aid agencies can best support and encourage banking with the poor.

The report comes to a number of key conclusions:

- the poor are entitled to credit and are fully bankable
- NGOs have a comparative advantage over banks in dealing with the poor, but need financial and technical assistance, training, and exchange programs
- NGOs succeed by building self-help groups (SHGs) of the poor
- SHGs need simple but comprehensive guidelines to be effective
- interest rates should be market related, and schemes must be replicated and expanded if they are to address poverty in the region, and
- national coordination and a supportive policy environment are needed for successful banking with the poor.

The report contains detailed recommendations for NGOs, commercial banks, central banks, governments and external agencies. It is essential reading for practitioners and policy-makers alike.

### **World Bank Consultative Group established**

The establishment of the Consultative Group to Assist the Poorest (CGAP) in June 1995 reflects a new international recognition of the importance of microfinance.

CGAP is a multi-donor effort led by the World Bank designed to increase resources devoted to microfinance. It will do this in two main ways:

- by supporting microfinance institutions that deliver credit and/or savings services to the very poor on a sustainable basis; and
- by increasing learning and dissemination of best practice.

CGAP is funding the BWTP Network meeting in July under its first round of approvals. The Foundation for Development Cooperation has been invited to join the Consultative Forum of Microfinance Practitioners, a group of the world's leading microfinance institutions set up to advise CGAP.

### **Foundation Publications**

In addition to Best Practice of Banking with the Poor, the Foundation has a number of other new and forthcoming publications. Two important studies provide evidence on how linkages between banks, NGOs and SHGs can reduce the transaction costs of lending to the poor, while another discusses microfinance in the South Pacific. These are:

- Transaction Costs of Lending to the Rural Poor: NGOs and SHGs of the poor as intermediaries for banks in India, by V Puhazhendhi (1995)
- Transaction Costs of Lending to the Poor: A case study of two Philippine NGOs, by G M Llanto and R T Chua (1996 forthcoming), and
- Banking with the Poor in the South Pacific, (1996 forthcoming).

Finally, South Pacific and Caribbean Economies: A Comparative Study, by T I J Fairbairn and D Worrell (1996 forthcoming), considers why the Caribbean islands have experienced faster economic growth than the Pacific Islands.