

Editorial

In this issue of the Newsletter, we report on the success of the inaugural meeting of the BWTP (for *Banking with the Poor*) Network of microfinance institutions, held in Singapore last July. The Network consists of banks and NGOs, most of which have been meeting under the banner of *Banking with the Poor* since our first Asia-Pacific workshop, held in Manila in 1991. Some 34 institutions from nine Asian countries were represented in Singapore.

While the BWTP Network is to become an autonomous and free-standing organisation in and of the Asian region, the Foundation has pledged its continuing commitment to *Banking with the Poor*. At the request of the BWTP Network, FDC will continue to provide secretariat services, at least during a transitional period, and will act as the 'fiscal agent' of the BWTP Network in its dealings with funding agencies.

The Network has been established to make the activities of *Banking with the Poor* more responsive to the needs of member institutions. With an independent character, the Network will be better equipped to continue the program of action research and policy dialogue initiated by the Foundation. A meeting of Network members will be held in Kuala Lumpur in December to consolidate this process.

As before, the crucial element in this campaign will be to strengthen the links of microfinance institutions with the formal financial sectors of Asian countries. The Network will conduct a wide-ranging review of 'best practice' in microfinance in 1997, in preparation for a Fourth Asia-Pacific Regional Workshop later that year.

Inaugural meeting of BWTP Network a huge success

The highly successful inaugural meeting of the BWTP Network was held in Singapore from 8-10 July 1996.

The meeting was made possible through a generous grant of US\$50,000 from the Consultative Group to Assist the Poorest (CGAP), established under the auspices of the World Bank. Members made a number of important decisions to strengthen the role of the BWTP Network and to shape its future activities.

Representatives from 14 banks and 17 NGOs from nine countries in Asia attended the meeting. Other participants included representatives from CGAP, AusAID, UNDP, APRACA Consultancy Services, and the central banks of India, Indonesia and the Philippines.

The most critical issues facing members related to the forms of association and future activities of the Network. The meeting agreed that the ultimate objective of the BWTP Network should be:

To increase the access of the poor to financial services, with particular reference to service provision by means of sustainable linkages between commercial banks and NGOs and self-help groups of the poor.

This objective is to be achieved through activities such as research, advocacy, policy dialogue, awareness-building and information-sharing. Members also considered that the Network should undertake capacity building and technological upgrading for institutions engaged in Banking with the Poor.

There were some extremely constructive discussions about alternative models for the Network, chaired expertly by Mr Benjamin Montemayor of TSPI. The meeting agreed to adopt an informal model of organisation. Nevertheless, members considered the Network should have a constitution, which would spell out matters such as objectives, governance, structure, membership, and the responsibilities of members. It was also agreed that the Network would have a secretariat, with FDC providing resources in support of this.

The meeting also recognised the need for microfinance institutions to maintain high standards in accounting and reporting. It was agreed that, as a minimum, all members should meet the standards established in *Micro and Small Enterprise Finance: Guiding Principles for Selecting and Supporting Intermediaries*, as agreed by key donor agencies in October 1995.

Participants were treated to a demonstration of the Pan-Asia Network on the World Wide Web, developed by the International Development Research Centre in Singapore. Members were impressed by the potential benefits that could flow from establishment of a BWTP Network web site. FDC was asked to conduct a feasibility study to determine the costs and modalities of establishing a site.

Ms Joyita Mukherjee of the CGAP Secretariat gave an informative presentation on the role of the CGAP, and its significance for microfinance institutions and networks. FDC's senior consultant Governor Thapa reviewed the current status of Banking with the

Poor, based on his recent visits to BWTP partners throughout the region. And the meeting provided opportunities for delegates to exchange experiences on best practice of banking with the poor.

The meeting demonstrated a remarkable degree of consensus among BWTP members as to the future organisation, role and activities of the Network. Its resolutions ensure the establishment of the BWTP Network on a sound basis, and set an ambitious agenda of follow-up action.

Microfinance in the South Pacific

The Foundation's Program Officer, Paul McGuire, has spent much of the last couple of months travelling around the Pacific. FDC has been commissioned by the Asian and Pacific Development Centre to prepare an assessment of microfinance in the Pacific for BANK POOR 96.

The study reviews microfinance programs in nine countries in the region, namely Papua New Guinea (PNG), Fiji, Solomon Islands, Vanuatu, Western Samoa, Tonga, Kiribati, Cook Islands and Tuvalu. It also includes more detailed case studies of five of the larger programs in the region. These are:

- Liklik Dinau Abitore Trust in PNG;
- the PNG Women's Credit Project;
- the Women's Economic and Social Development Programme (WOSED) in Fiji;
- the rural credit union movement in the Solomon Islands; and
- the outer islands credit project of the Tonga Development Bank.

There has been an increase in the number of microfinance programs in the Pacific in recent years. Nevertheless, outreach remains very limited, and no significant programs are currently operating on a sustainable basis. Programs face a number of constraints, including low and highly dispersed populations, inadequate infrastructure, the importance of the subsistence economy, and difficulties in achieving high repayment rates.

In the past, most programs have been unsuccessful. This is changing, however. More recent programs, including a number of those considered as case studies, have sought to incorporate lessons from past failures and from successful programs in other regions.

Nevertheless, there are a number of areas where further improvement is necessary. The study makes a number of suggestions as to how programs can enhance their performance in the critical areas of outreach to the disadvantaged, viability and sustainability, resource mobilisation, and policy and macro factors. It also considers how donor agencies and governments might best provide assistance for institutional strengthening and capacity building.

The study complements a previous study undertaken by the Foundation on *Banking with the Poor in the South Pacific*, which has just been published.

Impact and sustainability - research in the Philippines

The Foundation is about to commence two important research studies based on BWTP Network members in the Philippines, Alalay sa Kaunlaran sa Gitnang Luzon Inc (ASKI) and Kabalikat para sa Maunlad na Buhay Inc (KMBI). The studies are being funded by AusAID, and will be undertaken by Professor Ronald Chua of the Asian Institute of Management and a number of his colleagues.

One of the studies will involve a rigorous baseline survey of new borrowers. The initial survey would then be followed up one or more further surveys, to determine the impact of microfinance on borrowers' lives. It is proposed that the survey will cover a wide range of indicators. In addition to 'economic' indicators such as income, expenditure and assets, it will consider a range of indicators of health and community and social participation.

The study will make an important contribution to the literature. There are currently very few rigorous studies of the impact on borrowers of microfinance programs.

The second study will build on *Transaction Costs of Lending to the Poor: A case study of two Philippine non-government organisations*, released by the Foundation in June 1996. However, it will be much broader in scope than the previous study. Updated estimates of transaction costs will be considered in the context of how ASKI and KMBI can achieve operational and financial self-sufficiency. The study will also review the management of the two NGOs to see how they can better meet their objectives in terms of outreach and sustainability.

Detailed research designs for the two studies are expected to be completed in the very near future.

Forthcoming meeting of BWTP Network members in Kuala Lumpur

A meeting of BWTP Network members will be held in Kuala Lumpur on Monday, 9 December 1996, the day before BANK POOR 96. Members who have been invited to BANK POOR will need to arrive in Kuala Lumpur one day early to attend the meeting.

Members will consider a draft constitution for the Network. Governor Thapa is visiting as many members as possible prior to the meeting to consult on this matter. The meeting will also consider the feasibility of establishing a BWTP Internet site.

BWTP's activities for 1997 will also be discussed. It is proposed that a major activity will be to conduct a further Best Practice review, for consideration at a fourth regional workshop to be held in mid to late 1997. This will be the third in a series of such publications, following on from Banking with the Poor (1992) and Best Practice of Banking with the Poor (1995). It will again involve extensive participation by members of the Network.

It is expected that the format will be quite different from the previous volumes. There is now much greater international acceptance of the key features of Banking with the Poor, due largely to the success of the first two volumes. The third volume is expected to adopt a more thematic approach. It will address a number of emerging issues in more detail than has been possible so far, and from a specifically Asian perspective.

BWTP: a unique Network

While there are a number of other networks of microfinance institutions, the BWTP Network is unique in that it is the only one which focuses specifically on linkages between commercial banks, NGOs and self-help groups (SHGs). The 'linkage' approach has four key elements.

- First, it asserts that commercial banks have a critical role to play in making available some of their resources for providing credit to the poor.
- Second, it stresses the use of group lending strategies, through poor borrowers organising themselves into SHGs.
- Third, it recognises the advantages that community-based NGOs have in reaching the poor, reflecting factors such as proximity, trust, commitment, flexibility and responsiveness.
- Finally, it stresses the importance of establishing lending to the poor on a sustainable and commercially viable basis.

BWTP and the information superhighway

The inaugural meeting of the BWTP Network requested the Foundation to conduct a feasibility study to determine the costs and modalities of establishing a site on the Internet for the Network.

At first sight this may seem somewhat removed from the core business of microfinance institutions. However, the Internet has the potential to offer a wide range of benefits to all types of organisations, including community-based NGOs working with the poor.

The Internet provides access to a wealth of information about microfinance from donor agencies and other bodies. By visiting the CGAP home page, for instance, it is possible to find out about CGAP's latest activities, and even download their application for funding!

E-mail and the Internet can also be an extremely efficient way of communicating, especially for organisations with members in many countries such as the BWTP Network. Already, in many countries discussions can take place by e-mail at a fraction of the cost of telephone calls.

The Internet also offers unprecedented opportunities for organisations to promote themselves. For instance, a BWTP site could include information on each of the BWTP Network members that could be accessed anywhere in the world.

Use of the Internet, and the range of services available, are set to expand dramatically over the next few years. It is important that the BWTP Network not be left behind.