

# ANNEXES

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Subject: Newsbrief Février 2000

Chers lecteurs, veuillez trouver ci-joint notre Newsbrief pour le mois prochain. N'hésitez pas de nous contacter pour d'éventuelles questions, remarques ou suggestions.

Cordialement,

Mia ADAMS

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## CEREM-LUX Newsbrief

Février 2000

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**CEREM-LUX** (Centre de Recherche en micro-finance à Luxembourg) est un centre de recherche créé en 1997 à l'initiative du Gouvernement Luxembourgeois qui en a confié la gestion à ADA. Il a pour objectif de favoriser la recherche et l'échange d'informations en matière de micro-finance tout en développant l'expertise dans ce domaine à Luxembourg.

### Activités en cours...

- Du 12 au 14 janvier, ADA a contribué aux discussions sur la Micro-finance à l'occasion d'un colloque organisé à Madrid par UNESCO, et l'ONG Together in the World. L'accent était mis sur l'importance de la formation et le renforcement des capacités de gestion et institutionnelles.
- Du 22 au 26 janvier ADA a fait une mission au Mali pour rencontrer des différentes organisations, dont Mali Enjeu, une organisation d'appui aux jeunes de la rue de Bamako. Il s'agit d'une demande d'appui à la mise en place de services financiers qui doivent compléter les formations données par Mali Enjeu. Les services de crédit doivent permettre aux jeunes de s'installer comme artisan ou microentrepreneur à l'issue de leur formation.
- ADA est en train d'identifier des clients au Pérou pour son nouveau programme Luxmint. Une mission d'identification est planifiée pour février-mars 2000.

Le compte-rendu sur l'atelier sur les Systèmes de Rating pour la Micro Finance, qui a eu lieu à Luxembourg en novembre dernier, sera publié au courant du mois de février.

### Evénements dans le monde de la micro-finance...

- Maria Otera est nommée Présidente de l'organisation ACCION International.
- Le 19 janvier SafeSave, une IMF de Bangladesh a reçu un prix pour l'innovation d'affaires du Ministère du Commerce britannique.
- Homeless International organise une conférence sur le financement du logement et de l'infrastructure « Bridging the Finance Gap in Housing and Infrastructure ». La conférence aura lieu à Londres le 27 et 28 janvier. Pour info contactez Kim Mullard, adresse e-mail : [kim@homeless-int.demon.co.uk](mailto:kim@homeless-int.demon.co.uk).

- Le Projet pour l'Innovation des Microentreprises MIP (de USAID) organise une conférence à Bamako, Mali, sur « Le Développement de la Micro-finance en Afrique Rural ». La conférence aura lieu du 22 au 25 février. Pour infos contactez Katrena Henderson à [khenderson@weidemann.org](mailto:khenderson@weidemann.org).
- Le 14 février, après la publication de son document sur la Micro-assurance, le MIP organisera une présentation à Washington sur ses activités de recherche au même sujet.
- Pour la Conférence Beijing +5, de juin 2000, l'Office International du Travail prépare un document sur la Planification et Formation relatives au Genre pour la Micro Finance. Le PNUD prépare un compendium sur les meilleures pratiques au même sujet.
- Le 25 et 26 juin l'organisation EUFORIC - Forum Européen de Coopération Internationale, organisera sa conférence annuelle au Secrétariat des pays ACP à Bruxelles. Pour plus d'infos <http://www.euforic.org>.
- Du 2 au 8 juillet le Sommet sur le Micro-crédit organisera une réunion régionale à Harare, Zimbabwe. L'agenda est disponible au <http://www.microcreditsummit.org>.
- Du 30 mars au 1 avril, à Florham Park, New Jersey (Etats Unis), la Banque Mondiale, l'Institut de Brookings et le Fonds Monétaire International, organiseront la 2<sup>me</sup> Conférence sur les Marchés Financiers et le Développement. Les discussions porteront sur La Gestion des Crises Financières, sur le flux des capitaux vers les pays en développement et sur la de gestion de risques. Pour plus d'infos, <http://www.worldbank.org/html/fpd/cmd/conference/home.htm>.
- Les 4 et 5 avril, l'organisation britannique WEETU, organise à Norwich une conférence sur le Micro-crédit au Royaume Uni. La conférence discute les technologies en Micro-finance et des expériences faites aux pays en développement. Pour plus d'infos [conf@weetu.org](mailto:conf@weetu.org).
- SHARENET est un groupe de discussion pour des professionnels en Micro-finance. Pour plus d'infos [sharenet@egroups.com](mailto:sharenet@egroups.com)

### **Actualités INTERNET...**

ADA / CEREM-LUX dispose de son propre site : <http://www.synapse.lu/adaceremlux/>

Si vous avez la moindre suggestion à nous faire quant à l'amélioration de ce site,  
n'hésitez pas à nous en faire part. Merci d'avance !

- Le sujet de la Micro-assurance a été fortement discuté sur le réseau du DevFinance. Certains de ces programmes tels que réalisés par Delta Life au Bangladesh, sont très rentables. Il s'agit en fait de 2 produits de micro-assurance : Gono Bima, visant des ménages urbains, et Grameen Bima pour des ménages aux régions rurales. Ces programmes ont été déjà copiés par des compagnies d'assurance privées et doivent leurs succès à leurs méthodologies. Ces systèmes d'assurance emploient un grand nombre de jeunes, formés par Delta Life, qui font du port-à-porte pour vendre le produit. Delta Life fera une présentation de sa méthodologie lors d'une conférence organisée par CARE Bangladesh les 28 et 29 février. Pour plus infos <http://www.geocities.com/Wallstreet/District/5823/insure1.html>.
- D'autres experts en Micro-assurance sur le réseau du DevFinance, mettent l'accent sur la nécessité de développer d'autres produits d'assurance tels que l'assurance logement, santé, actifs mobiliers.
- Le FAO a fait l'analyse de ses expériences avec des « Banques de Céréales » (Grain Banks). En Afrique de l'Ouest ces expériences étaient plutôt négatives. Leur inefficacité était dû au fait qu'elles étaient créées avec un fort appui de donateurs et d'ONG. En plus, ces « banques » nécessitaient la création des groupes solidaires qui n'étaient ni suffisamment cohésifs ni expérimentés en gestion d'affaires. Ailleurs, comme par exemple au Bangladesh et en Inde, ces banques étaient organisées autour du secteur privé et enregistrent des meilleurs résultats.
- Le CGAP a lancé un nouveau groupe de discussions organisées qui traitera des questions liées à l'épargne-retrait.
- A la suite d'un article dans le quotidien (Bangladesh) « The Independent », des discussions ont suivi sur le rôle en matière d'intermédiation financière des ONG-IMF par rapport à celui des banques commerciales. Ces ONG sont particulièrement utiles là où les banques ne sont pas implantées (proximité et flexibilité) offrant leurs services financiers à ceux qui n'ont pas accès au secteur formel. Souvent, les IMF n'ont pas suffisamment de capital pour répondre aux besoins et ce manque de capital est souvent dû au fait qu'elles dépendent des donations. Généralement, ces IMF réalisent un taux de remboursement supérieur à celui des banques parce qu'elles ont une relation de proximité et de confiance avec les clients. Pourtant, elles ont un problème de capacités de gestion, spécifiquement en gestion de risques (manque de diversification, gestion financière, comptabilité, etc.).
- Une étude faite par IFAD montrait la bonne performance des initiatives locales de Micro-finance au Lesotho, en contraste avec les projets de Micro-crédits désastreux qui sont financés par des donateurs.
- Le Bulletin du Mardi du CIRAD a fait un inventaire des pratiques de l'épargne en Afrique de l'Ouest et donne une explication sur les différents types de caisses dites « villageoises ».
- ISO 9000, un processus de certification géré par des comptables-auditeurs qualifiés au nom de l'Organisation Internationale pour la Standardisation, a récemment été appliqué à une IMF brésilienne et une IMF polonaise. Ce système est actuellement adopté dans 80 pays comme standard national. ISO 9000 pourrait présenter un outil pratique d'appui aux IMF qui désirent se professionnaliser et accéder aux marchés de capitaux commerciaux.

## Et si on parlait de formation dans le domaine de la micro-finance...

- Du 24 au 28 janvier le Centre pour la formation FUSAI organise un cours en micro-crédit et la viabilité des IMF à El Salvador. Pour plus d'infos, <http://www.sipromicro.com/reunion/eventos/>.
- Du 13 au 27 février l'Université d'Agriculture de Wageningen (Pays-Bas) organisera un cours international en Finance Rurale. Pour plus d'infos [IAC@IAC.AGRO.NL](mailto:IAC@IAC.AGRO.NL).
- Les 28 et 29 février, CARE Bangladesh organisera un séminaire en Micro-assurance au Dhaka. Pour plus d'infos, contactez Carlos Ani à [carlos\\_ani@mail.com](mailto:carlos_ani@mail.com)
- Du 20 à 24 mars le Centre pour l'Europe Centrale, de l'Est et des NEI organisera son cours de deux modules en Gestion de Délinquance et la Fixation des taux d'Intérêt. Le cours aura lieu a Krakow (Pologne). Pour plus d'infos contactez [micro-finance@zigzag.pl](mailto:micro-finance@zigzag.pl).
- Du 13 au 25 mars le Centre de l'OIT à Turin organisera un séminaire sur la Micro-finance et les systèmes de crédit pour des micro-, petites et moyennes entreprises. Pour plus d'infos, contactez Peter Tomlinson, Programme Manager à [SME@itcilo.it](mailto:SME@itcilo.it).
- Du 10 juin au 1 juillet le Programme FIPED-Financial Institutions for Private Enterprise Development, organisera son cours en Micro-finance. Pour plus d'infos [fiped@hiid.harvard.edu](mailto:fiped@hiid.harvard.edu).

## Acquisitions récentes...

- **Les contraintes et défis posés par le développement de systèmes de micro-finance durables dans les zones rurales défavorisées en Afrique**, Renée Chao-Béroff du CIDR, publié par le PNUD, <http://www.undp.org/sum/>.
- **La Gestion de la Comptabilité Interne, un Outil pour des Caisses Villageoises**, publié par le Projet pour l'Innovation des Microentreprises MIP (disponible en français et espagnol).
- MIP a également publié une recherche sur la « Micro Assurance » dans un document intitulé « **Micro Insurance, providing insurance to low-income households** » ; Warren Brown and Craig Churchill de Calmeadow.
- L'Université d'Amsterdam a publié plusieurs études sur la finance informelle, en Afrique du Sud et en Inde et une recherche sur des **Groupes de l'Épargne informelles dans différents pays, industrialisés et en développement**.
- Législation, Réglementation et Supervision des IMF en Indonésie ; GTZ, 1999.
- Réglementation et Supervision des IMF : l'Etat de Connaissance ; GTZ, 1999.
- Réglementation et Supervision des IMF en Afrique du Sud ; GTZ, 1999.
- Le rapport du Sommet pour le Micro-crédit, <http://www.microcreditsummit.org>.
- La Banque Nationale indienne pour l'Agriculture et le Développement Rural, NABARD, a publié son rapport du Task Force pour la **Politique d'appui et un cadre réglementaire pour la Micro-finance**.
- Réduire des coûts et la Gestion de Risque dans l'emprunt aux Micro-entreprises, un Manuel pour le Micro-crédit en Europe ; l'Institut pour des Services Financiers (IFF), 1999.
- **Guide Technique pour l'Analyse des IMF**; Banque Interaméricaine de Développement BIAD 1999.
- Typologie des IMF en Amérique latine et les Caraïbes ; BIAD, 1999.
- Le Guide du CGAP sur les Systèmes de Gestion d'Information (MIS) pour les IMF est paru en français (220 p.). version française distribuée par l'organisation GRET, [Librairie@gret.org](mailto:Librairie@gret.org).
- **Les Femmes et le Micro-crédit dans les régions rurales du Bangladesh**; une étude anthropologique sur le système de crédit opéré par la Grameen Bank; Aminur Rahman, 1999.
- **Le Rôle des Banques Commerciales en Micro-finance dans la région Asie-Pacifique**, une publication par la Fondation pour la Coopération au Développement, Ruth Goodwin (84 p.).
- **Conversations avec des Experts** ; Calmeadow, ACCION et Microentreprise Policy Institute, 1999.
- Occasional Paper n° 4 Métamorphose Institutionnelle : Transformation des IMF-NGO en Institutions Financières Réglementées ; Calmeadow, ACCION et MFN, 1999.

## Votre avis nous intéresse ...

Si vous souhaitez une information plus détaillée ou nous faire une suggestion, qu'il s'agisse de nos activités, d'informations à répercuter ou du nom d'une personne intéressée par le NEWSBRIEF, contactez-nous en renvoyant le talon ci-joint à l'adresse suivante: **CEREM-LUX**,

Boulevard Grande-Duchesse Charlotte, 15, L - 1331 Luxembourg.

Nom, Prénom :

Adresse :

Suggestion :

Date sent: Tue, 04 Jan 2000 21:57:42 +0600  
Send reply to: devfinance@lists.acs.ohio-state.edu  
From: Carlos Ani <carlos@bangla.net>  
To: sharenet@egroups.com, devfinance@lists.acs.ohio-state.edu  
Subject: Bangladeshi MFIs doing banking?

The two articles below recently appeared in the Bangladesh newspaper - The Independent. The first article discusses about the nature and volume of savings and credit operations of Bangladeshi NGO MFIs vis-a-vis the commercial banking sector. The second article discusses about the current status of the country's banking sector. For your information and comments.

Carlos Ani, Dhaka

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Our micro-finance NGOs: Do they perform banking ?

by S M Rahman

The author is a Director of the Credit and Development Forum (CDF), the network of micro-finance NGOs in Bangladesh. Views expressed in the article are the writer's own.

A section of intellectuals and the civil society in Bangladesh at times try to give the public impression that the NGOs are operating like banks. What is happening in reality is that the NGOs make financial transactions through banks and normally they do not operate in an area if there is no bank in the vicinity. They attach this importance while selecting the target area essentially for safer transactions and security of the savings deposits. Their every day's savings are kept in the banks and this is almost mandatory. As we know, the banks operate purely on commercial motive. On the other hand, the mind-set of NGOs guides them to work particularly on social development perspective, not on commercial objectives.

The banking culture is something alien to the vision and mission of micro-finance NGOs. By and large, people from all sections have access to banks while the poor only have access to the micro-finance programmes. The poor people who are enlisted in the micro-finance programmes are popularly called members and are well defined in terms of socio-economic strata. Some NGOs are also seen collecting savings from non-members. The number of such NGOs is small. It is first of all due to the fact that these people want to save but being small depositors they do not get adequate and appropriate services from the banks.

The distance of the banks from their household also discourages them from going to the banks when the field workers of the NGOs are coming to their door-steps everyday. The micro-finance programmes constitute nearly 85 per cent women. It is almost an absurd thinking that the poor women in the rural society will ever go to the banks in the context of our existing social set-up. This reality has to be understood by all of us as to why the poor people keep going to the NGOs instead of banks. Secondly, the NGO staff do not neglect the depositors seeing that they are poor, rather they give profound human honour to them. They enquire about their well-being in day-to-day life. Thirdly, they find it convenient and lucrative to save with the NGOs. The NGOs find it immensely difficult to increase their capital base just through mobilising the poor people's savings. In the absence of regulation, the NGOs are facing hindrances to mobilising savings.

An overwhelming number of NGOs is, therefore, suffering from shortage of capital to meet the growing needs of their clients. For obvious reasons, some are introducing various innovative financial products on savings and credit to cater to needs of the clients. The commercial banks' assistance to the NGOs is highly negligible. Whatever assistance has been given so far is nothing significant. On the other hand, hardly 15 per cent NGOs have received foreign funding for micro-finance programmes that also does not cover more than 25 per cent of the revolving loan fund (RLF).

The foreign donation for micro-finance operations is dwindling over time. The contributing source of revolving loan fund of the NGOs particularly includes members' savings, their own fund and the service charge (interest) that represent nearly 50 per cent of the total RLF. It has, therefore, become imperative to look for alternative sources of funds to replenish the perpetual shortfall of grants from the donors. NGOs follow the micro-credit technology that is different from banking know-how. It is basically a savings and credit programme where savings is compulsory. On the contrary, to be eligible for bank credit the clients are not required to do such things. The functions of micro-finance NGOs are simply restricted to savings and credit only. As we know, the commercial banks have manifold functions and have various sources of income apart from interest earning, as for instance remittance fees, LC commissions, bill purchase commissions, guarantee commissions and bank charges. But the case is different for the NGOs. They are solely dependent on the service charge. Setting appropriate interest rate is, therefore, crucial for their sustainability. Everybody is aware that micro-credit is a highly supervised credit. In case of banks, the clients go to the banks and repay the

money and, ethically speaking, there is perhaps no savings collection cost. While in the case of NGOs, the staff collect the money from the group meetings that have a cost unlike the banks. In essence, the collection and supervision cost is truly significant but low in terms of economic prices since the NGOs cannot pay handsome salary to their staff as they are imbued with patriotism to work with voluntary zeal for building a poverty-free society.

An analysis of micro-finance data of 495 NGOs in the country indicates that there is a wide dispersion among them in terms of variables like membership, outstanding borrowers, net savings, loans disbursement, credit portfolio etc. All these NGOs have 8 million active members against about 7 million covered by Grameen Bank and the public sector programmes. At present, many NGOs have differentiated products both credit and savings. This product differentiation coupled with price variation is virtually leading to eventual market competition. Professionals and academics often argue that competition among the NGOs in micro-credit market will lead to efficient allocation of resources, cost-efficient behaviour of NGOs and subsequently to the development of NGOs at low cost.

NGOs have potential to play a major role in micro-finance market particularly when the formal commercial and development banks are reluctant to continue their lending because of high default and inappropriate financial technology. Many people think that to become financially sustainable one has to be big horizontally. This notion is not correct. Eventually, diversified quality financial products are likely to expand their clientele base from poor to near poor, from micro enterprises to small and medium enterprises. Incredibly, only the top 20 NGOs are reckoned to have preponderance in the NGO sector. It is observed that they occupy 84 per cent of the total members, 86 per cent of the total net savings, 91 per cent of the total cumulative disbursement and 89 per cent of the total loans outstanding. BRAC, ASA and Proshika each has loans outstanding more than Tk. 2000 million and together they account for 71 per cent of the total loans outstanding. Sawmirvar Bangladesh, the fourth largest has Tk. 378 million as outstanding. The gap is clearly huge and ever expanding between the bigger ones and the rest of the organisations. NGOs' lending rates: A micro-credit interest rate quoted at certain percentage may be equivalent to a much higher effective rate, depending on how the loan and its repayment are structured. The real cost to the borrower and the lending institution's real income from its loan portfolio can be raised significantly by such practices. The NGOs charge as many as 19 different rates of interest under flat method and more than 4 different rates under declining method. Some also charge up front interest payment as well as flat rate with up - front interest. Declining method is rarely practised. Less than 1 per cent NGOs apply this rate while more than 90 per cent use flat method. Flat method generates more interest income than the declining method. It is also due to the fact that the calculation under flat method is pretty simple that takes in view the tiny loan sizes and huge numbers of weekly repayable instalments. Practical calculation shows that effective rate of interest is almost double in the flat method compared to the declining method. In the flat method the prevailing interest rates vary from 10-30 per cent. The highest rate is, however, seldom applied. It has been noticed that 95 per cent NGOs charge interest rate within the range 10-20 per cent. More than 70 per cent NGOs commonly use interest rate 15 per cent per annum. PKSF the Government initiated private company that provides loans to the NGOs, charge interest @ 3-5 per cent on condition that the recipient NGOs will lend up to 15 per cent on flat basis. It has so far given loans to 183 NGOs that also include BRAC, ASA and Proshika. The rate of interest of top 20 NGOs out of 495 ranges between 12-15 per cent and these NGOs have lent money to 85 per cent of the total borrowers in the sector. The largest MFIs like, BRAC, ASA, Proshika and Grameen Bank charge @ 15 per cent, 12.5 per cent, 18 per cent and 20 per cent respectively. Proshika and Grameen charge interest under declining method. Most of the NGOs' loan products are under priced that comes effectively at 25 per cent approximately just keeping roughly 5 per cent as margin. This again does not always take into account loan-loss provision, inflation rate etc. However, the NGOs need to make interest management prudentially. In setting their rates, they should follow market mechanism as some of them are already doing now and should work out sustainable rates taking into view cost of fund, cost of operation, inflation, loan loss provision and desired margin for capitalisation to avoid erosion of capital. Most of the commercial banks charge interest @ 16.5 per cent for general loans. Some commercial banks that have modicum lending activities with the NGOs are charging up to 14 per cent. BRDB and some other public sector rural development agencies that are implementing micro-finance programmes on a large scale are charging interest rate 16-20 per cent from the borrowers in declining method.

Comparatively, loan recovery performance of the NGOs is much superior than the public sector programmes. Average loan recovery rate in the NGO sector is more than 93 per cent. There is no security, no tangible collateral. Group guarantee that had been working so long is being striped off gradually. A common perception exists in the NGO community that a recovery rate less than 95 per cent is not a satisfactory rate. So they try to achieve more than 95 per cent. Notably, PKSF that has lent money to 183 NGOs does not consider any loan proposal of NGOs unless it has minimum loan recovery of 95 per cent. So, the contention that the NGOs charge exorbitant rate of interest is not correct. In case of banks, people do not usually know their real recovery rate. It is difficult to believe that the average recovery rate is barely 30 per cent in the nationalised commercial banks and around 50 per cent in case of private commercial banks despite taking 100 per cent collateral/guarantee against the disbursed loans.

The central bank being the regulatory body is to monitor and supervise all these banks to ensure financial discipline. The government is learnt to be very eager in enforcing strict regulation for the NGOs. If the responsibility of monitoring and supervision of micro-finance NGOs is bestowed upon the central bank or any other agency, how they will supervise

more than 1000 NGOs, only God can answer. According to a recent newspaper report, an amount of Tk. 32 billion is lying idle in the banks that include Tk. 9 billion of the nationalised commercial banks. Whereas the NGOs are hovering around from donor to donor, bank to bank looking for grants, cheap money or otherwise. To meet the current demand of NGOs they need minimum Tk. 7,074 million @ Tk. 3000 per borrower right at this moment for 2.36 million organised members. None is, however, coming to help them except in a few pompous cases. They tender excuse that the banks are eager to finance the NGOs but cannot do so in the absence of a concrete policy. The central bank may ponder over this issue and take steps to formulate a policy so that the commercial banks earmark a certain portion of their loanable funds for micro-finance NGOs as cheaper loans to enable the potential smaller NGOs to cover their initial investment needs. When they will attain operational sufficiency or near financial sustainability, they may not be given such loans other than at market rates. This type of assistance should be continued till such time the industry has grown.

The Ministry of Finance might also think to set up a Micro-finance Fund like that of Housing Loan Project at the central bank, which they have created recently. The selection procedure however will call for more impartiality and transparency. NGOs' interest on savings: There also exists a variety of interest rates regarding savings ranging from 5-14 per cent per annum. However, most NGOs, that is, about 85 per cent provide interest on savings @ 5-8 per cent. About 60 per cent NGOs provide interest from 5-6 per cent. However, the most commonly used rate is 6 per cent. The interest rates on general savings of BRAC, ASA and Proshika are 6 per cent, 8 per cent and 5 per cent respectively. The rate of interest of savings of Grameen is, however, 8.5 per cent. In few cases, some NGOs give interest up to 15 per cent. There are also NGOs that do not provide any interest at all but their percentage is not known. While setting the rate of interest on savings, the NGOs mostly keep in mind the prevailing rates of the commercial banks.

There are a few NGOs that follow banking practice in determining interest on savings. The commercial banks provide interest @ 7.25 per cent to the depositors on normal savings. This rate is 8.25 per cent for one year and 9.25 per cent for two years and more. NGOs therefore fairly treat the depositors by giving competitive rates. Savings protection of the poor: The aforesaid statistics further shows that 388 NGOs have Tk. 13,653 million as outstanding loans against the savings of Tk. 5087 million (NGOs with outstanding savings). This implies 168 per cent higher stake in the field compared to the members savings. On the contrary, 107 NGOs have Tk. 84 million loans outstanding against the savings of Tk. 129 million (NGOs with savings outstanding). This means the savers' stake is 54 per cent higher than the NGOs. The total amount of net savings of 495 NGOs is Tk 5216 million of which Tk. 45 million (approximately less than 1 per cent) is at apparent risk being at the hands of 20 per cent smaller NGOs. This is not a worrying situation in terms of net borrowers concept in so far as the whole industry is concerned, and presumably this can be overcome with some pre-emptive measures. Clearly the savings of the poor are well protected. However, protection of savings arguably to the extent of 5 per cent would be sufficient safeguards if kept in profitable investment securities in the name of the samity/group. As for instance, PKSf ensures savings protection to its partner organisations through certain strategic principles and mechanism. In accordance with this mechanism, the partner NGO has to keep 5 per cent of the savings in a savings account with a local bank, invest at least 15 per cent of the savings in riskless and profit earning savings, long-term deposits and government bonds/securities certificates and invest maximum of 5 per cent in the immovable properties, while the rest 75 per cent are allowed to be used in the revolving loan fund.

The money of the poor is not in jeopardy as evidenced by savings and outstanding figures. There is no denying that financial transactions always carry some inherent risk regardless its nature. Reportedly, many cooperatives are collapsing following embezzlement of funds. The NGOs are not immune in this respect. But unlike the banking sector, the magnitude is not appalling in view of the mishaps that occur very rarely. Regulation, therefore, may not guarantee foolproof in providing safety to the borrowers. Like any other sector, the NGO sector also consists of good as well as organisations. In minimising the risks, the clients or the customers too have a responsibility. They need to be conscious and inquisitive. Profit potentiality is presumably higher where the risk is more. They will have to decide which NGO has to be trusted upon and consequently must bear the brunt of their own decision-making. They will have to minimise their risks by meticulously choosing the right NGO on the basis of their offerings, institutional credibility and image. Practical experience shows that having remained under regulation countless financial organisations are collapsing in many places in many countries including USA and Japan. Despite this gloomy fact, there has to be regulations. There is no alternative to this.

According to many, the most vulnerable area of an NGO is its governance. Governance is a process that controls, regulates and guides an entity. A good system is indeed meaningless, if it does not work under good governance. So they think governance risks in general and management risks in particular are critical to savers' protection. These risks refer to the failure due to lack of necessary competence and integrity to protect the assets of the clients. This aspect warrants that adequate attention as likely shield for borrowers' safety.

More than 1000 NGOs in Bangladesh are now known to be carrying out micro-finance operations. Many more are joining this race every day. At this point of time, all of us need to seriously ponder this issue before these turn into millions, because mere number will neither alleviate poverty nor help the poor and the near poor.



Ibrahim Khaled said a foreign commercial bank operating in Bangladesh earned a net profit of Tk 125 crore last year with only 3-4 branches. Whereas the nationalised commercial banks say they are not getting profit due to their social sector commitments.

About the financial position of the private commercial banks the central bank official said a private bank would require 80 years to achieve a break-even point by overcoming its financial loss.

He identified a lack of consciousness among the policy makers and the consumers that poses a big problem for the banks in the next millennium. The first phase of the Banking Sector Reform Programme started in December 1990, but the objectives were not achieved, he said.

One of the main objectives of the five-year reform programme was to reduce the rate of classified loans (bad loans) to five per cent from the level of 29 per cent in the NCBs and 25 per cent in the PCBs in 1990. But three evaluation reports by the USAID suggested that the burden of classified loans intensified further. At present, the NCBs have 33 per cent classified loans and the PCBs 41 per cent.

"The programme failed, I think, due to a systematic approach," Khaled said adding that as a result, the government is not responsive enough to the second phase of the reform programme, planned with "human approach." In this situation, he said, the central bank regulated the PCBs to successfully bring down the classified loans to 25 per cent from 43 per cent as the central bank was provided with regulatory power.

"We don't need intervention by the World Bank and the IMF provided existing laws are applied," he added. The central bank has no authority to sack managing directors and the directors of the NCBs as the government regulates the banks, he said. He added that a vicious circle, even including drivers, decides everything of the banking activities in the NCBs, leaving nothing for the central bank and the NCB management.

The Bangladesh Bank Deputy Governor recommended a number of small banks instead of the larger banks having vast network of branches to ensure efficient management. "We can follow this model for the 21<sup>st</sup> century," he said.

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SHARENET - is a discussion group for microfinance professionals around the world. Key important issues in microfinance and poverty alleviation.

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To request more information about SHARENET, just send a blank email to [<carlos-ani@mail.com>](mailto:carlos-ani@mail.com) with the word "Info sharenet" in the subject line.

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The archive is located at: [<http://www.egroups.com/group/sharenet/>](http://www.egroups.com/group/sharenet/)

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Date sent:	Thu, 27 Jan 2000 19:52:37 +0100
Send reply to:	devfinance@lists.acs.ohio-state.edu
From:	"olivia vernier" <overnier@planetbank.org>
To:	<devfinance@lists.acs.ohio-state.edu>
Subject:	Online training modules in microfinance

PlaNNet Finance

PlaNNet University

Author : Olivia Vernier, Training, Information & Communication Manager

Reply to : [overnier@planetfinance.org](mailto:overnier@planetfinance.org)

<http://www.planetfinance.org>

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Help to increase training programmes in microfinance by becoming an online trainer. Please forward to any people that you think might be interested and qualified.

In order to develop online training modules of a high level in microfinance, PlaNNet Finance <http://www.planetfinance.org> would like to associate to PlaNNet University :

- Trainers in the field of microfinance to create new training content and provide individual support by email and chat to trainees gathered in virtual classes (please refer to the list below).
- Forum managers for mailing lists and newsgroups talking about the training modules content.

- Microfinance practitioners to audit the training content and decide new programmes development through a Supervision Committee.

If you are interested, don't hesitate to send your resume and the selection of training modules concerned (please see the list below) by email to Olivia Vernier [overnier@planetfinance.org](mailto:overnier@planetfinance.org).

PlaNet Finance, international non-governmental organisation founded in 1998, aims to promote micro-credit programmes all around the world by using the potential of the Internet. PlaNet Finance offers several services: rating and evaluation of MFIs (PlaNet Rating), financial resources for MFIs (PlaNet Bank), an information and documentation centre on microfinance available on the Internet (PlaNet Library), an online training centre and onfield seminars (PlaNet University), equipment and creation of web site for microfinance practitioners (PlaNet Systems), reflection working groups (PlaNet Research).

PlaNet Finance, based in Paris, is a networking organisation of 30 full-time members, 6 of whom are salaried, several partners who gather one hundred volunteers working in open source, and more than one hundred PlaNetworkers, voluntary correspondents of PlaNet Finance, located in 60 countries.

#### List of training programmes scheduled

##### Level 1: Beginner

- Microfinance throughout the world
- The fundamentals of MFI management (repayment rate/ portfolio at risk; nominal / effective / real interest rate, provisions; operational / financial viability etc.).
- Lending and savings methodologies
- Accounting for non-specialists
- Risk management
- Notions of interest rate management

##### Level 2 : Intermediate

- Micro-loan portfolio management
- Management and governance in microfinance
- Micro-loans and viability
- Management of guarantees
- External and internal audit
- Information system management

##### Level 3 : Advanced

- Balance sheet management
- Budget management and business plans
- Evaluation and rating in micro-finance
- Supervision and regulation in micro-finance
- Creation and implementation of a micro-finance programme

PlaNet University's training programme is based on a methodology that analyses the knowledge and expertise indispensable to MFIs' managers, credit agents and accountants. On the ground of its conclusions, PlaNet University's experts have worked out a list of microfinance-related issues that PlaNet University training units develop in detail.

<b>Date sent:</b>	Mon, 31 Jan 2000 11:05:03 -0500
<b>Send reply to:</b>	<a href="mailto:devfinance@lists.acs.ohio-state.edu">devfinance@lists.acs.ohio-state.edu</a>
<b>From:</b>	"Chuck & Sue Waterfield" < <a href="mailto:waterfield@csi.com">waterfield@csi.com</a> >
<b>To:</b>	"Devfinance" < <a href="mailto:devfinance@lists.acs.ohio-state.edu">devfinance@lists.acs.ohio-state.edu</a> >
<b>Subject:</b>	Course announcement: Business Planning / Microfin

Following is a course description and registration form for an upcoming course on Business Planning and Financial Modeling, including practical work on Microfin, an Excel-based financial projection tool. Please feel free to forward this information to anyone you think might be interested in the course.

Chuck Waterfield

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## BUSINESS PLANNING AND FINANCIAL MODELING FOR MICROENTERPRISE PROGRAMS Washington DC, April 10-14, 2000

This one-week intensive workshop will present a step-by-step framework for developing a business plan and financial projections for a microenterprise program. The comprehensive business planning framework separates the planning process into strategic and operational elements. A sophisticated financial modeling tool, "Microfin" (developed through contracts with CGAP and Women's World Banking), will also be explored in depth.

The workshop will be based on the two-week course the facilitators offer each summer at the Microfinance Training Program in Boulder, Colorado, and on the CGAP Handbook, Business Planning and Financial Modeling for Microfinance Institutions, written by the workshop's facilitators. The course is structured to be highly participatory, with participants applying the business planning framework to a detailed case study throughout the training, including extensive computer-based exercises using the Microfin model. Participants will receive a copy of the Handbook, including diskettes containing Microfin.

### Agenda:

Monday through Friday, 9:00 AM to 5:00 PM.

Light breakfast, lunch, and coffee/tea will be provided daily.

(Hotel or other accommodations are the responsibility of each participant. We will be happy to provide a list of local hotels upon request from registered participants.)

### Day 1:

**Overview of Business Planning:** Participants will review and discuss the Business Planning framework. In particular, attention will be directed to the market-based approach of the framework and the ways in which the framework provides a perspective which differs from traditional NGO planning processes.

**Strategic Planning:** This section will address the key steps of strategic planning - articulating the mission, identifying clients and markets, performing an environmental analysis, carrying out an institutional assessment, and developing an overall strategy.

### Days 2-5:

**Operational Planning and Financial Modeling:** These sessions will focus on the key steps in operational planning - designing financial products and services, establishing marketing channels and projecting activity levels, determining institutional resources and capacity, developing a financing strategy, and analyzing projected financial statements and ratios. Small group exercises will focus on applying the case study to the Microfin model.

Registration will be limited to 25 participants and will be on a first-come, first-served basis. The cost is \$975 per participant (payable upon registration). To register, please complete and return the attached form.

[NOTE: Computer requirements: Group computer exercises will use participants' laptops. (Please note that it is not necessary to have a laptop in order to attend; we simply need one laptop for every three participants.) Please let us know if you plan on bringing a laptop meeting the following requirements so that we can ensure an adequate supply: Pentium microprocessor with a minimum of 24Mb of RAM and any version of Excel installed.]

### Facilitators:

Chuck Waterfield has 15 years' experience in microfinance, serving as microenterprise director for MEDA and for CARE International. His current work as an independent consultant includes clients such as ACCION, CGAP, Women's World Banking, Opportunity, Calmeadow, IDB, and USAID. He is on the faculty of the Economics Institute's Microfinance Training Program, New Hampshire College Microenterprise Development Institute, and University of Washington School of Public Policy. In addition to the Business Planning handbook, he has a broad range of publications including the CARE Credit and Savings Sourcebook, GEMINI Technical Note on Designing for Financial Viability, and CGAP Handbook on Management Information Systems.

Tony Sheldon has worked with MFIs in Africa, Asia, Latin America and Eastern Europe, primarily in the areas of financial management and business planning. He also works with several funders and networks, including Women's World Banking, CGAP, the World Bank, the Ford Foundation, and SEEP, and is on the faculty of the Economics Institute's Microfinance Training Program and the New Hampshire College Microenterprise Development Institute. In addition to the Business Planning handbook, he is the author of WWB's "Principles and Practices of Financial Management" and a co-author of SEEP's "Financial Ratio Analysis of MFIs."

BUSINESS PLANNING AND FINANCIAL MODELING  
FOR MICROENTERPRISE PROGRAMS  
Washington DC, April 10-14, 2000

REGISTRATION FORM

Name

Institution

Address

Position:

Phone:

E-mail:

So that we can better tailor the training, please indicate your level of knowledge and experience (beginner, intermediate, or advanced) in the following areas:

Microfinance credit methodologies:

Accounting and financial management:

Working with spreadsheets:

A check for US\$975.00 (payable to "Bering Consulting") must accompany this registration form in order to reserve a place in the workshop.

Refund policy: If we are able to find another participant to take your place, we will refund your fee less a 10% processing charge. If we are unable to find someone to take your place, then no refund can be made. You are free to send someone else in your place, but we would appreciate knowing in advance.

Confirmed participants will be notified as soon as the location of the workshop is finalized.

Please send registration form and check to:

Bering Consulting phone: 212-243-8283  
245 West 24<sup>th</sup> Street (#4) fax: 212-243-7558  
New York, NY 10011 email: [jasber@well.com](mailto:jasber@well.com)

Date sent:	Fri, 21 Jan 2000 14:18:48 +0100
Send reply to:	devfinance@lists.acs.ohio-state.edu
From:	"Peer Smets" <PGSM.Smets@scw.vu.nl>
To:	<devfinance@lists.acs.ohio-state.edu>
Subject:	NEW PUBLICATION

Dear dfn'ers

I would like to draw your attention to a new publication:

P. Smets (ed.) (1999) Money and culture: examples from Indonesia, South Africa and India. Urban research working papers no. 44. Amsterdam: Vrije Universiteit.

Contents

In this work the focus is on the couleur locale of places in Indonesia, South Africa and India. Attention will be paid to the topics of money, reciprocity, redistribution, security, consumption, personal roles, and the social context including (religious) norms and values and the interaction between local and global cultures.

The first contribution, Hotze Lont focuses on how money is managed on a household level in Yogyakarta, Indonesia. He examines the dynamics of managing a household budget, which involves balancing monetary income and

expenditures in the short and/or long run. Here income cycles do not always coincide with expenditure cycles. These gaps have to be filled with the mobilisation of savings, credit, gifts or by means of insurance. For this purpose, social relations have to be established and maintained, for which different tactics are used. Lont shows how household members are bound to local norms and values about securing the expenditure pattern, such as for the construction of their dwelling. Within these income and expenditure constraints household members repay debts with new credit. It will be demonstrated that certain lenders can provide such credit while others are not eager to do so.

In the second paper, Erik Bähre focuses on the relationship between money and consumption among poverty-stricken Africans in Cape Town, South Africa. This case shows that the purchase of consumer products belonging to an affluent life-style reflects the aim for social and economic upward mobility. For the poor this can have the positive consequences of gaining some respect, prestige and self-confidence. Moreover, consumer products are signifiers of social relationships with, for example, relatives, neighbours, colleagues, and participants in financial self-help groups. Here jealousy, competition and witchcraft due to the social obligations and dependencies that are experienced accompany respect, status, self-esteem.

The third contribution deals with Islamic norms and values used for monetary transactions in India. Smets shows that the interpretation of Islamic interest principles is twofold. One school of thought permits interest being charged, while the second school forbids the charge and payment of interest completely. In line with the second school of thought, interest-free savings and credit schemes for different purposes are developed and implemented by financial self-help organisations in Sangli and the All-Ameen Islamic Financial and Investment Corporation. By discussing these schemes, Smets illustrates how religious norm and values can influence money transactions and the nature of money. If money is used in a usurious way it becomes haram (forbidden) money, which can influence further transactions with this money.

This publication can be ordered from  
Department of cultural anthropology/sociology of development  
Vrije Universiteit  
De Boelelaan 1081c  
1081 HV Amsterdam  
The Netherlands  
Fax: +31 20 444 6722  
Email: [PGSM.Smets@scw.vu.nl](mailto:PGSM.Smets@scw.vu.nl) (DO NOT USE THE REPLY BUTTON OF DEVFINANCE)

Costs: 15 Dutch guilders (6.75 EURO or an equivalent in US Dollars)  
postage included

#### Payments

Payments to be made by bank transfer or Euro cheque. Outside Europe by international money order or bank transfer.  
Postbank account number 597 002 of stichting ca/snws VU, Amsterdam  
With reference to urwp44

Date sent:	Sat, 01 Jan 2000 19:32:58 +0600
Send reply to:	devfinance@lists.acs.ohio-state.edu
From:	Carlos Ani <carlos@bangla.net>
To:	sharenet@egroups.com, devfinance@lists.acs.ohio-state.edu
Subject:	Micro-insurance: Gono Bima

This is about a low-cost micro-insurance product that is being offered massively in Bangladesh by a private company called Delta Life Insurance Company. While visiting the field last week, I came across a senior field officer of Delta Life and he gave me additional information about Gono Bima, which I am sharing with you below. [This supplements my earlier posting about this product.]

#### Additional information:

1. According to M.A. Aziz (Division Manager of Delta Life), the number of Gono Bima policyholders has recently reached 1.8 million. (This needs verification because this conflicts with the figure earlier given me by another officer.)
2. Delta has two variants of the same micro-insurance product - Grameen Bima (for rural households) and Gono Bima (for urban households). They are essentially the same product, except that Gono Bima's premium is paid monthly while Grameen Bima is paid weekly.
3. The face value of policies range between 5,000 Taka (\$100) to 50,000 Taka (\$1,000) and premiums vary accordingly. Most clients take the lower amount policies. The premiums are small and affordable, and based on statistics below, the product is gaining a great deal of popularity among low-income and poverty groups.

4. If sold in great quantities, the premiums collected can amount to a lot of money. The annual premium income on Gono Bima has been exponentially increasing during the last few years: Gross premium income was 1.5 million Taka in 1994, 14 million Taka in 1995, 60 million Taka in 1996, 200 million Taka in 1997, and 380 million Taka in 1998. These figures seem fantastic but these must be verified with Delta's head office and official financial reports). If this is true, then the Company is literally awashed with money!! Who says poor people have no money to save?? I was told that the Company is aiming to double its premium income next year due to continuing popularity of its products.

5. There are now at least five private insurance companies which have introduced micro-insurance products copied from Gono Bima. (I will share their product names and company name next time.) Initial reports from those companies show that indeed there is big demand for such a product. I think the Delta Life model is replicable by many NGOs and life insurance companies here and in other counties. The big NGO MFIs, I heard, are considering a similar product.

6. One of the "success" secrets of the Company is the big number of Field Organizers (FOs) it recruits and trains. Around 90% of its 16,000 employees are FOs. The FOs are the people which sell the product on a door to door basis. The Company representative goes out to the village and looks for young, aggressive and articulate people and offer them jobs as FOs. Those who sign up are given a basic one week training which includes basic information on the company, the product, identification of potential clients, selling skills, collection procedures, etc. All FOs are drilled on door to door selling. They are paid on commission basis, that is they get 950 Taka for every 5,000 Taka monthly premium income they collect.

7. Gono Bima is like an endowment plan (you get your money back plus "bonuses" after the policy period.) The "bonus" is currently set at 40% of total premiums paid. Using qualified actuaries, the Company conducts a valuation of risks and reserves every two years and declares the amount of bonus payable on matured policies. So far, the rate of bonus is gradually increasing over the past four years.

8. Gono Bima has a policy loan feature, where the policyholder can apply for a loan with the Company up to a certain maximum amount.

9. The Company is very profitable. It declared a 36% dividend last September 1999 to all shareholders. In spite of short average lifespan of Bangladeshis, claims (due death) to premium income is less than 2 % (maybe 1.7%), meaning Delta is not really losing heavily due to high claims. They say that this claims ratio is compatible with experiences in other countries.

CARE Bangladesh would conduct a symposium-workshop in February 2000 in Dhaka to discuss about existing micro-insurance products and strategies. Delta Life said they will participate to share their experiences to local MFIs which are going to attend the workshop. (A very limited number of slots are allowed for foreign participants.)

Comments are welcome.

Carlos Ani  
Microfinance / SEAD Coordinator  
CARE Bangladesh