

DEVFINANCE

Discussion list on development finance of the Ohio State University

A monthly review

March 2000

General Information¹

➤ **New issue of MicroBanking Bulletin**

Calmeadow's MicroBanking Bulletin no. 4, February 2000, focuses on efficiency. It contains financial performance information from more than 100 leading MicroFinance Institutions (MFI) around the World, of which 60 are financially self sufficient. It also incorporates several new indicators on voluntary savings. Moreover, it explores how the real cost of lending can be minimised to the benefit of micro loan clients. Efficiency is important both to enable MFIs to cost effectively serve poorer clients and to reduce the cost of those services to their clients. You can download this document for free at www.calmeadow.com/mbb2_index.html or order it from books@pactpub.org.

➤ **Newsbrief April 2000 from Cerem- Lux**

For French speaking people, this newsbrief provides information on Cerem-Lux's activities, on events in the microfinance world, new websites, courses and publications. See in the annexe, CEREM-LUX Newsbrief.

➤ **Grameen Phone**

Grameen Phone, as part of Grameen Bank, is one of the four commercial cell phone operators in Bangladesh. It selects phone operators from the bank's borrowers who have already demonstrated their business talents and earned trust in regular repayment of the loan. For those who want to know more about it, see in the annexe, M. Lewis, 30th March 2000, GrameenPhone.

➤ **Microcredit Summit Campaign paper**

The latest paper commissioned by the Microcredit Summit Campaign (Africa) for the upcoming regional council meeting, "Creating Autonomous National and Sub-Regional Microcredit Funds", is now available for comments. The first regional council meeting, the Africa Region Microcredit Summit (ARMS), will be held in Harare, Zimbabwe, from July 2nd to 7th, 2000. For more information, visit the web at <http://www.microcreditsummit.org>.

➤ **Regulatory issues and cooperatives in Panama**

In 1999, the Savings and Credit Cooperatives of Panama showed a total turnover of 38 million dollars, with total equity amounting to 160 million dollars. 210 of the total of 409 existing cooperatives (representing 159'000 Panamanians) are generating savings. This emphasises the need for regulating and supervising cooperatives and MFIs. On February 18th and 19th, 2000, 19 representatives from more than 100 credit unions around Panama met for a seminar on the regulation, supervision and protection of savings and loan cooperatives. The participants studied the different experiences that their counterparts in the rest of Latin America have had. In 16 of those countries, credit unions are under the control of banking institutions, while others are regulated by entities set up by or for the cooperatives. There is no unique model to adopt.

Panama has various options, the Banking Commission, The Banking Superintendent and the Panamanian Autonomous Cooperative Institute (IPACOOOP, a governmental agency), for the creation of a parallel cooperative regulatory institution. Most of the participants in the February seminary preferred the latter option. Actually, the cooperative movement in Panama is not at all interested in being regulated by banks.

¹ The most relevant articles of the discussion list are mentioned in the text with their author, date of issue and subject. They are to be found in the annexe, classified in the same order as they appear in the present text.

Courses and seminars

➤ **Microfinance training centres and university courses around the World**

This information is provided by Calmeadow, as part of its database. See the list in the annexe, Nanci Lee, 29th March 2000, Training Programmes Request.

➤ **Microfinance conference in Dubrovnik, Croatia**

The Third Annual Working Conference of Microlending Institutions in Central and Eastern Europe (C&EE) and the New Independent States (NIS) will be held from 5th to 6th May 2000 in Dubrovnik. For more information, contact G. Galusek at mfc102@hotmail.com or register on line at www.mfc.org.pl.

➤ **CGAP “Financial analysis for MFIs” course**

This event will be organised by the Microfinance Centre for C&EE and NIS, in St. Petersburg, Russia, on June 5th to 8th, 2000. For more information ask at mfc102@hotmail.com.

➤ **International conference – workshop on savings mobilisation in MFIs**

This event will be held in Santa Cruz, Bolivia, from 26th to 28th April 2000. It's main sponsors are GTZ, IADB, USAID, CAF, amongst others. For more information see the web at www.entelnet.bo/taller.ahorro.bolivia.

➤ **Creación y Administración de Sistemas de Micro Créditos**

This training course in Spanish will be held at ILO in Turin, Italy, from 8th to 26th May 2000. For more information, send a mail to m.degiovanni@itcilo.it.

➤ **Promising Practices in Rural Finance**

This is a one day seminar organised by the Microenterprise Unit of IDB, on May 22nd, 2000, in Washington DC. The main purpose of the seminar is to share findings of a research project on emerging best practices in the delivery of rural financial services in six Latin American and Caribbean countries: Bolivia, Chile, Costa Rica, El Salvador, Jamaica and Peru. The event will highlight the challenges faced in providing efficient and sustainable rural financial services and

present case studies of various organisations. For information on participation, contact marielase@iadb.org.

➤ **Livelihood, Savings and Debt in a Changing World: Developing Anthropological and Sociological Perspectives**

This will be the title of the May 2001 conference organised by Wageningen University and Research Centre (WUR) and FAO, together with three Dutch research schools.

Publications

➤ **Rural Financial Markets in Developing Countries: Their Use and Abuse**

This book, assembled by D. Adams, G. Donald and J.D. Von Pischke in 1983, was a result of rural credit projects courses pioneered in 1976 by the Economic Development Institute of the World Bank. After being out of the market for about ten years, the book has been reedited again.

➤ **Financial Landscapes Reconstructed**

The book from F. Bouman and O. Hospes, *Financial Landscapes Reconstructed: The Fine Art of Mapping Development*, which contains chapters from H.D. Seibel, Von Pischke, D. Adams and others, is now electronically available at: www.gcw.nl/kiosk/microfinance. It contains insightful information on ASCRAs and ROSCAs, sophisticated approaches to risk finance and measuring performance of banks. But it also makes a critical evaluation of donor NGOs experiences with credit and presents anthropological accounts of traders, bankers and pawnbrokers, serving poor people under the most difficult conditions.

➤ **Agricultural finance**

Two studies on the subject have been published by FAO and GTZ: T. Giehler, *Sources of Funds for Agricultural Lending*, and B. Klein, *Better Practices in Agricultural Lending*. Dale Adams' main comments are that these publications seem to be consistent with the new paradigm of development finance and that they take a serious look at rebuilding rural finance. The documents are available in English, French and Spanish. For

information on how to obtain them, send a mail to thorsten.giehler@fao.org.

➤ **Finance and Development (March 2000)**

The March edition of this publication contains two interesting articles. The first one is from Ch. Jarvis, titled "The Rise and Fall of Albania's Pyramid Schemes". The second article is from P. Streeten, who makes a review of M. Yunus' new book, "Banker to the Poor: Micro-lending and the Battle against World Poverty" (Public Affairs, New York, 1999).

➤ **Microfinance in the New Millennium: Efficiency, Customer Satisfaction and Commercialisation of Microfinance Institutions**

This document is a summary of The MicroFinance Network's latest conference, held in Dhaka, Bangladesh, in 1999. If fully implemented, efficiency, customer satisfaction and commercialisation concepts can create new possibilities for the field. A focus on efficiency can lead to enhanced services and customer satisfaction and commercialisation can serve as a vehicle to increase the outreach or services in a sustainable manner. The document can be ordered from PACT publications (www.pactpub.org) or ACCION International (www.accion.org).

➤ **New book on microfinance and poverty alleviation**

J. Remenyi and B. Quinones (2000), *Microfinance and Poverty Alleviation*, Pinter, London. This book is based on case studies from Asia Pacific. For further information and ordering, contact cwintersgill@compuserve.com.

➤ **New publication on ASA**

Pankaj S. Jain (2000), *Maturing of Micro-credit Movement (Transaction Cost, Profitability and Services Quality): Some Pointers from ASA*. This paper, published by ASA, provides latest data on ASA operations and compares with BRAC and Grameen. See in the annexe, N. Fernando, 30th March 2000, A new publication on ASA.

Subjects of interest

➤ **Saving mobilisation cost**

How should an MFI calculate the cost of mobilising saving? Different methodologies have been suggested by participants in the devfinance discussions. First, J. Owens working with rural banks in the Philippines, looks at the "**break-even**" **size of savings accounts**, comparing time deposits with regular savings accounts. The "break-even" balance would be the average balance where the cost of mobilising regular savings accounts (direct costs + indirect costs + interest expenses) is less than or equal to the cost of mobilising time deposits (direct costs + indirect costs + interest expenses). (J. Owens, 26th March 2000, Savings Mobilization Cost Issues).

Another way of calculating the break-even of savings accounts, as mentioned by W. Brown from Calmeadow, would be to **include the revenue side of savings**. A break even calculation should tell the bank when the revenue earned from investing customers' savings is exactly equal to the cost of acquiring those funds. For a detailed explanation of this methodology, see W. Brown, 29th March 2000, Savings Mobilization Cost Issues.

But one should not forget **the demand side of savings services**. In South Africa, for example, people can only save in commercial banks. One of the big commercial banks, Standard, has reduced services in the Northern Province. "This retreat (and the lack of expansion into historically black areas) effectively maintains the status quo in marginalising black South Africans economically, by imposing additional costs on them to access savings with commercial banks." (B. Kuwik). The transaction costs are high, in terms of transport, time lost to reach the bank and get back, insecurity (while travelling with high amounts of cash). Moreover, the bank asks for pay slips (proof of a salary) to open a savings account, in a province where official unemployment is close to 50%. Such a practice excludes most poor people.

Alternatives to commercial banks, which are being discussed in South Africa, are the Volkskas, former banks for poor white people, and the Postbank, which could be

transformed into a universally operating retail bank.

➤ **Household cash flow**

According to I. Matin from CGAP, the traditional and often used systems of group guarantee and simple progressive lending are reaching their limits, in an environment where clients mature and markets become more competitive. Low cost, reliable household cash flow analysis could be a good way to potentially make a progression from these systems.

Other people, on the contrary, think that the traditional bank approach, based on valuing existing cash flows and collateral assets, are rather limited for MFIs, especially when working with the poorer and less mature clients who have traditionally been ignored by formal sector lenders. However, credit officers should understand the patterns of cash flows. In the respect, one should distinguish between two types of microfinance. "One type lends against existing and proven household or small business cash flows.... The second type of lender lends against prospective but not yet proven cash flow.... Since better off households are more likely to have already proven and more diversified cash flows, this second type of lending is more often associated with poor households. Group loans and progressive lending (and many other collateral substitutes) seem to have become effective mechanisms in some such contexts". (J. Conning). Methodologies should therefore be adapted to the type of clientele.

But even if an MFI can estimate the ability of clients to repay, how will this ensure the willingness to pay? Moreover, in many cases, sensitivity analysis will discourage any cash flow based microfinancing, because if you include all potential risk factors, you will end up with a negative net cash flow.

➤ **Informal finance in India**

In last month's summary of devfinance discussions, participants talked about refinancing facilities to rural moneylenders in India. People from FAO argue against that kind of action, because in their opinion, it discourages financial institutions to mobilise savings or offer savings (from the clients' perspective). Actually, saving facilities and insurance schemes seem to be the most

appropriate financial products to cope with emergencies or unforeseen and urgent cases. Credit (or debt) might be relevant for dynamic people who want to invest, but there is much higher demand for other banking services.

Another argument against refinancing moneylenders is that they are not development oriented. Nevertheless, F. Bouman mentions an interesting example from India, where milk collectors act as moneylenders and deal to integrate informal and institutional finance. As a group, they are innovative and clearly interested in the district's development potential. For more details on this interesting case, see in the annexe, F. Bouman, 1st March 2000, informal finance in India: of pride and prejudice.

➤ **Microfinance and education**

This is also a question which is raised quite often in discussions on microfinance: How to combine client education with financial services? In the Philippines, for example, CRS supports a Grameen Bank program with 98% of the clients being women. They address lack of education at two fronts: first, they provide education loans to their clients, in order to enable them to send their children to school. Second, they discuss various topics, like health, sanitation, livelihood, leadership and human values, during their weekly centre meetings. For these purposes, they invite resource persons from government and private organisations. Lectures normally just last 10 to 20 minutes. They call this type of education sessions, "functional literacy".

In Nepal, Pact's Women's Empowerment Program (WEP) has developed an approach that links literacy and numeracy learning to an innovative savings-led village banking methodology. It focuses on aiding women to develop the skills, self-confidence and resources to begin asserting some control over their lives. Self-instructional manuals, that use non-formal education techniques, guide the women through an intensive curriculum of literacy and numeracy, village banking and microenterprise development. For more information, see D. Lissit, 17th March 2000, microfinance and education.

A similar approach is used by another MFI in Nepal - The Nirdhan Utthan Bank - which encourages its members (about 29'000) to attend Adult Literacy Classes. These classes

are conducted/supported by local NGOs and PLAN International and taught in the same venue where the savings and credit transactions are held, but on different times of the day.

➤ **Agricultural Development Banks**

Dale Adams is of the opinion that too few governments in developing countries have taken the decision to liquidate agricultural development banks, two cases being Peru and Bolivia. "In a few other cases, part or all of the ag. bank has been sold to private interests, two cases being Russia and Nicaragua. In only a couple of cases, have these banks been successfully reformed: the Units portion of BRI in Indonesia, and the ag. bank in Malaysia. In several other cases, particularly in Trinidad and Tobago, the activities of the ag. dev. bank have shrunk so much that their efforts don't matter much anymore. More typically these moribund banks remain as black holes for public resources, Romania, Ecuador and Colombia being prominent examples" (D. Adams). It is therefore questionable why donors have not undertaken more to help people determine what to do about these banks. It might be easier to form new financial infrastructure in rural areas if the ag. development bank problem is solved.

P. Collange from the National Agricultural Development Bank (BNDA) in Mali agrees with Adams, in that bad financial institutions should be shut down, as they use public deposits. Nevertheless, he argues also that one should not shoot at agricultural banks as if they were all bad. The success story of the BNDA in Mali shows the contrary. See the explanation in annexe, P. Collange, 13th March 2000, BNDA Mali - a successful agricultural development bank.

Isabelle Dauner, Lausanne, 20th April

ANNEXES

CEREM-LUX Newsbrief

Avril 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...

- Fin mars, début avril, ADA réalisera une mission en Equateur, en Bolivie et au Pérou pour identifier des collaborations avec plusieurs IMF dans le cadre de Luxmint et pour évaluer des projets en cours.
- Comme complément au programme Luxmint, des sessions de formation en analyse de performance financière des IMF sont organisées à Luxembourg en collaboration avec l'ATTF. Afin de renforcer l'expertise en micro-finance au sein de l'ATTF et de favoriser une meilleure connaissance des réalités de la micro-finance, deux banquiers/formateurs de l'ATTF participeront à des missions d'identification d'IMF dans le cadre du programme Luxmint. La première mission aura lieu au mois de mai 2000.
- Le prochain Dialogue sera disponible à la fin du mois d'avril et inclut, entre autres, un article sur le mesure d'impact des IMF.
- Un cours en micro-finance a été préparé par ADA en collaboration avec CIESA, un institut de formation virtuelle.

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

- Depuis deux ans USAID, SEEP, AIM et CGAP mènent une recherche et ont élaboré des méthodes de mesures d'impact de la micro-finance qui essaient de faire le compromis entre crédibilité et coûts investis. Ces méthodes ont été appliquées dans deux cas précis dont Kafo Jiginew (Mali) : Evaluation d'Impact menée par le Praticien : un Test au Mali. Pour infos, contactez aims@msi-inc.com.
- L'organisation EUFORIC organisera pendant les trois premières semaines d'avril, avec l'appui de l'organisation ECDPM, European Centre for Development Policy Management, une conférence virtuelle sur le renforcement des partenariats Nord-Sud pour le développement. La conférence se concentre sur « l'Action Concertée du Gouvernement Local et la Société Civile ». Pour participer, contactez cb@ecdpm.org.
- Le projet « Les Meilleures Pratiques de Microentreprises » (MBP), financé par USAID, a lancé son programme de subventions pour l'an 2000. MBP offre des petites subventions (maximum: 30.000 \$) aux institutions de micro-finance africaines afin de tester sur le terrain des programmes innovateurs, particulièrement dans le domaine de l'introduction de nouveaux produits financiers pour le développement rural. Des propositions devraient être soumises avant le 14 avril prochain. Pour infos : Jimmy_Harris@dai.com
- Une première banque de micro-finance a été créée à Maputo (Mozambique) par IFC (20% du capital), IMI (Internationale Micro Institutionen AG (20%), la Banco de Finanças de Mozambique (30-35%), FMO (Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden, 20%) et l'agence gouvernementale de Mozambique (5-10%). Les objectifs sont : financement de micro et petites entreprises, le renforcement des capacités de gestion de fonds commerciaux et créer un modèle d'institution de micro-finance. IMI est le fonds d'investissement créé par IPC et d'autres organisations. IPC se chargera de l'appui technique à la banque de micro-finance. Pour IFC cette participation concerne la 4e intervention dans une institution financière en Mozambique. Pour infos : SFI, Corporate Relations Unit par téléphone au 1.202.4737711 ou fax 1.202.9744384.
- MBP (USAID) planifie l'organisation d'une conférence virtuelle sur la Micro-Assurance. Un questionnaire a été envoyé pour tester l'intérêt. Pour participer, contactez Nhu-An_Tran@dai.com

- L'organisation du Sommet de Micro-crédit organise plusieurs conférences régionales. La prochaine conférence africaine aura lieu du 2 au 7 juillet à Harare, Zimbabwe. Dans le cadre de cette conférence, le Sommet a publié une version préparatoire sur la « Création des Fonds de Micro-crédit Autonomes et Sub-régionaux ». Le Sommet invite les intéressés à donner des commentaires. Pour infos : microcredit@igc.org.
- Du 11 au 13 octobre 2000, les organisations COLAC et FECOLAC organiseront à Panama la 5ième Conférence Financière des Coopératives Latino-Américaines. Pour plus d'infos, visitez <http://sipromicro.com/reunion/eventos/prom2000/msg00012.html>.
- Le 18 et 19 février des représentants de plus de 100 Unions de Crédit opérant au Panama, se réunissaient pour un séminaire sur la réglementation, la supervision et la protection des coopératives d'épargne et de crédit. En 1999, ces coopératives ont produit un total de résultats d'affaires de 38 millions \$US avec un total de fonds propres de 160 millions \$. 409 coopératives d'épargne et de crédit, dont 210 (représentant environ 159.000 panamiens) collectent l'épargne, ce qui souligne la nécessité d'un bon système de réglementation et de supervision pour les coopératives et les IMF.

Actualités INTERNET...

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

Une fois de plus, les discussions sur «DevFinance» ont attiré l'attention sur l'importance de la mobilisation de l'épargne en Micro-Finance. Différentes contributions portaient sur l'importance de réglementer et superviser des IMF qui commencent à mobiliser l'épargne d'un public particulièrement vulnérable.

Dans un rapport de Woodstock Institute, les pratiques des usuriers aux Etats Unis (moneylenders), non-supervisés par les autorités financières nationales, appliquant des taux d'intérêt inacceptables, dont souffrent particulièrement les populations pauvres, ont été critiquées.

Le « Bulletin du Mardi » du CIRAD s'est penché sur le problème de l'hyperinflation et expose comment les IMF peuvent se protéger contre ce phénomène. Aucune solution miracle est proposée. Trois grandes techniques sont utilisées pour maintenir la valeur du capital en période d'hyperinflation : faire les transactions en devises, intégrer le coût d'inflation dans le taux d'intérêt (variable et indexé), et indexer la valeur des fonds de crédits ou des dépôts sur une valeur de référence.

Espace Finance a donné une présentation assez exhaustive de «Dexia Fund» un des rares fonds d'investissements privés en micro-finance.

Suite aux inondations au Mozambique, le Forum « Espace Finance » a guidé des débats sur le rôle de la Micro-Finance dans ces situations. Il faut rappeler qu'en 1999, des débats similaires ont eu lieu. La pertinence de fonds de garantie en situations de calamités naturelles est mise en question dans la mesure où il essayera toujours à faire porter une grande partie du risque sur le client. Il peut toutefois générer la constitution de provisions, un fonds de calamités, permettant de faire face à ces problèmes.

Selon DevFinance la cause principale de la mauvaise fonction et des faillites de banques de développement agricole est liée à l'impossibilité de séparer l'influence politique de la gestion d'une telle institution financière. Il ne faut pourtant pas condamner toutes les Banques de Développement sachant que certains exemples rares de réussite existent comme, par exemple, au Mali.

Mélanger des services non-financiers avec des services financiers au sein des IMF est un sujet souvent discuté à DevFinance. En mars, plusieurs expérimentations en Asie, comme l'ONG Viet Nam Plus et le Women's Empowerment Programme au Népal qui lient l'éducation à l'octroi des crédits aux femmes ont été expliquées.

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

- En avril, le CGAP organisera, en collaboration avec des organisations locales, EDA Rural Systems et Asia Institute for Management, un cours en Comptabilité pour des IMF à Manille. Un autre cours en comptabilité et analyse financière sera organisé en juin. Pour infos : rthua@aim.edu.ph.

- En août, le CGAP organisera, également en Asie et en collaboration avec les mêmes organisations locales susmentionnées, un cours en Gestion des Impayés et les Taux d'intérêts à Manille. Pour infos : rtchua@aim.edu.ph
- Du 26 au 28 avril le GTZ, la coopération technique allemande, organisera à Santa Cruz, Bolivie, en collaboration avec, entre autres, la BIAD, USAID, CAF, un séminaire sur la mobilisation de l'épargne par des Institutions de Micro-Finance. Pour infos, contactez mila.co@undp.org.
- Du 8 au 15 mai, le CGAP organisera, dans le cadre de son programme pour le renforcement des capacités en micro-finance, en collaboration avec le Micro-Finance Centre for Central and Eastern Europe and the NIS (in Warsaw), un cours en Formation des Formateurs. Le lieu de venue doit encore être fixé. Pour infos : microfinance@zigzag.pl.
- Du 12 au 16 juin, le CGAP organisera, en collaboration avec une organisation locale, un cours en Analyse Financière à St. Pétersbourg. Pour infos, contactez microfinance@zigzag.pl.
- Du 8 au 26 mai, le Centre International de Formation de le BIT organisera un cours sur la Création et la Gestion des Systèmes de Micro-crédit à Turin. Pour infos : d.navas@itcilo.it.
- Du 24 juillet au 11 août, le Springfield Centre for Business in Development organisera un programme de formation en Développement des Services d'Affaires à Glasgow. Le programme est appuyé par MBP (USAID), DAI, GTZ et DFID. Pour infos : bds@springfieldcentre.com.

Acquisitions récentes...

Les garanties dans une économie globalisée : l'environnement latino-américain, Pablo Pombo, 15 pages.

La deuxième partie du document sur la **Micro-Assurance** publiée par MIP est maintenant disponible. Les deux documents donnent une analyse des mécanismes d'assurance ainsi que des expériences pratiques en micro-assurance.

MicroSave Africa, une initiative du PNUD, a publié plusieurs documents intéressants, accessibles au www.undp.org/sum/index2.html : Beyond basic credit and savings : Developing new financial services products for the poor ; The Poor and their Money : an essay about financial services for poor people; Client exists from East African MFI ; Use and Impact of Savings services among the poor in East Africa ; UWFT Study on Vulnerability and Micro-finance.

Le CGAP a publié, dans le Focus n° 4 du avril 1999, quelques conclusions intéressantes issues de ses efforts en performance des IMF en Afrique. Un article dans le prochain Dialogue publié par ADA reprend une synthèse de ces conclusions.

Financial Landscapes Reconstructed : The Fine Art of Mapping Development, Frits Bouman et Otto Hospes, Université Wageningen, mars 2000.

Sources of Funds for Agricultural Lending, Thorsten Giehler, FAO, 84 pages.

Better Practices in Agricultural Lending, Brigitte Klein e.a., FAO, 81 pages.

Micro-finance dans le nouveau millénaire : Efficacité, Satisfaction des consommateurs et Commercialisation des IMF, un document sur une conférence organisée en 1999 par le Micro Finance Network.

Financial services for the poor and the poorest : deepening understanding to improve provision, David Hulme et Stuart Rutherford, Institute for Development Policy and Management, 1999.

The poor and their money: an essay about financial services for poor people, David Hulme et Stuart Rutherford, Institute for Development Policy and Management, 1999.

The Schism in Micro-finance, Jonathan Morduch Le Journal World Development Volume 28 Edition 4 du 15 mars, pages 617-629, et **la Création du Capital Social dans les Economies rurales au Ghana** une contribution de F. Lyon dans le même journal, pages 663-699.

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: Thu, 30 Mar 2000 19:14:25 -0500
Send reply to: devfinance@lists.acs.ohio-state.edu
From: Maryellen Lewis <lewisma9@pilot.msu.edu>
To: communitydevelopmentbanking-l@cornell.edu,
devfinance@lists.acs.ohio-state.edu, enter-l@enterweb.org
Subject: "GrameenPhone"

Feature article: Grameen Phone: Beacon of hope for rural women, by Farid Hossain Sitting outside her mud-and-thatched hut Jamirunnesa picks up her Nokia cell phone to know the latest poultry prices. Monir Chowdhury, her neighbour, arrives panting to receive a long distance call from his brother working in Malaysia. Next in the line is Tofazzal Hossain, a village doctor who wants an early appointment with a specialist for one of his patients afflicted with renal fever.

At the farming village of Jolarpar, 20 miles (35 kilometers) north of Dhaka, Jamirunnesa, a 38-year-old housewife-turned business woman runs cell phone service for villagers who still commute through dirty roads. The phone, which is still a privilege for the rich in Bangladesh, also helps the mother of four children earn a fair profit from the poultry farm she runs. "There are buyers who want to cheat me. But they can't because I've the phone that comes handy to know at what rate the chickens are selling in the markets," said Jamirunnesa waving her Nokia handset.

She bought the phone in February last year after borrowing 18,000 takas from Grameen Bank that provides poor women small loans to start small businesses such as cow rearing, grocery stores, poultry farms and vegetable gardening. The cell phone was provided at subsidised prices by GrameenPhone, the telephone arm of Grameen Bank. Grameen Bank was established in 1976 by Muhammad Yunus, who left teaching economics at a Bangladesh university. The bank now operates dflrs 2 billion for 2.3 million Bangladeshis, most of them poor rural women.

The Grameen Phone is one of the four commercial cell phone operators in Bangladesh. In 1997 Grameen Phone made a surprising move in reaching mobile phones to mostly illiterate village women that sets it apart from the three other companies which operate only for urban users. Grameen Phone selects the cell phone operators from the bank's borrowers who have already demonstrated their business talents and earned trust in regular repayment of the loan.

"A telephone is no longer a luxury for villagers. It helps farmers to get fair prices of farm products; relates to know about the remittances sent from migrant workers abroad and patients to arrange appointments with doctors in the cities," said Mehbub Chowdhury, who heads the marketing of the cell phones. "It's a toll for economic growth," Chowdhury said.

Consider Jamirunnesa, who earns an average net profit of 2,500 takas (dflrs 50) a month by selling her cell phone services. This means dflrs 600 a year twice the county's annual per capita income. When she borrowed 3,000 takas (dflrs 60) from Grameen Bank first time 10 years ago Jamirunnesa's family could not afford enough meals a day like half her countrymen. She invested the money in buying a milching cow and quickly repaid the loan by selling milk.

Three years ago the woman with little schooling qualified to borrow higher than the first loan to start the poultry farming. With the additional earnings from the cell phone she has bought two fans, added a piece of farm land besides keeping a part in bank savings.

"Ten years ago we had lost all hopes. Today, I find life worth living," said Jamirunnesa in her new cotton sari, one of dozens she proudly wears.

The cell phone service has brought similar confidence for another 1113 village phone operators across Bangladesh. The first village mobile phone was introduced in 1997 and since then it has reached to 1114 operators in many villages. GrameenPhone plans to reach another 886 villages this year. The achievement looks great in a country, where fewer than one percent of 125 million population has telephones, including 100,000 cell phones.

Grameen Phone conducts a day-long training session for an operator before handing her the phone. One of the preconditions is that at least one member from the family must recognise the English alphabets.

"In my case I've learnt how to operate the phone in just four hours," said Hosne-ara, another village phone operator at the northern village of Porabari. She passed on the skill to her schoolgoing son and daughter, who operate the phone in her absence.

The cell phone service has generally been received well in the villages. Still, the women operators are objects of envy mainly from the rich who have traditional control over rural economy and politics.

"There are some rich people who come to us demanding that they be given a cell phone," said Abdus Sabir, a Grameen Bank official who heads the operation in Jamirunnesa's region. "We tell them, the phone is for the poor who are members of Grameen Bank and not for the rich," said Sabir.

News Network

Date sent:	Wed, 29 Mar 2000 16:45:39 -0500
Send reply to:	devfinance@lists.acs.ohio-state.edu
From:	Nanci Lee <resource@calmeadow.com>
To:	devfinance@lists.acs.ohio-state.edu
Subject:	Training Programmes Request

DevFinance Users,

The following is a list of training centres and university courses that Calmeadow has been compiling as part of our MicroFinance Knowledge Bank database (to be available on-line June/July).

Apologies for the formatting as it was pulled directly from the database to avoid an attachment. Those interested in a formatted Word copy are welcome to email us directly. We would also be interested in any additions or changes to this list, particularly regional training centres.

Regards,
Nanci Lee
CALMEADOW

Economics Institute (EI)

Course (non-credit)

The Economics Institute

Introduction to MicroFinance; Program Design; Business Planning; Financial Modeling

Center for World Banking and Finance
1005 12th Street
Boulder, CO 80302-7306 USA

Fax. (303) 492-3003
(303) 492-3006
CWBF@colorado.edu
<http://www.colorado.edu/economicsinstitute/>

Springfield Centre for Business in Development

Course (non-credit)

Business Development Services; Management of Information Systems (MIS)
The Springfield Centre for Business in Development
Mountjoy Research Centre
Durham

DH1 3UZ United Kingdom

Tel: +44 191 3831212

Fax: +44 191 3831616

Email: global@springfieldcentre.com

Alan Gibson or Rob Hitchins

Email : bds@springfieldcentre.com

<http://www.springfieldcentre.com>

Microfinance Centre for Central Easter Europe and Newly Independent States

Course (non-credit)

Introduction to MicroFinance; Program Design; Financial Management; Lending Methodologies; Program Management ; Business Planning

Microfinance Centre for CEE and the NIS

ul. Wspólna 73 m. 3

00-687 Warsaw, Poland

Tel. (48-22) 621 60 34

Fax (48-22) 622 26 21

E-mail: microfinance@zigzag.pl

<http://www.microfinance-centre.org.pl/>

International Training Centre of the ILO (ITCILO)

Course (non-credit)

Introduction to MicroFinance; Business Development Services; Policy and Regulatory Framework; Product and services Development

International Training

Centre of the ILO

Viale Maestri del Lavoro 10

10127, Turin, ITALY

Tel. + 39 011 69 36 665

Fax: + 39 011 69 36 589

E-Mail. SME@itcilo.it

<http://www.itcilo.it/>

Harvard Institute for International Development (HIID)

Course (university/college credit)

Financial Management; Policy and Regulatory Framework; Lending Methodologies

Harvard Institute of International Development

14 Story Street,

Cambridge,

Massachusetts 02138

<http://www.hiid.harvard.edu/>

New Hampshire College

Course (non-credit)

Course (university/college credit)

Management of Information Systems (MIS); Financial Management; Product and Services Development; Business Development Services; Performance Rating and Monitoring

Sharon Hunt, Professional Training Coordinator

New Hampshire College

CED Program

Microenterprise Development Institute 2000

2500 North River Rd.

Manchester, NH 03106-1045

Phone: (603) 644-3124

Fax: (603) 644-3158

E-mail: mdi@minerva.nhc.edu

<http://merlin.nhc.edu/ced/micro/index.html>

Daniel J. Evans School of Public Affairs

Course (university/college credit)

Microfinance Microenterprise Development

University of Washington

Box 353055

Seattle, WA 98195-3055, USA

Tel. : (206) 543-4900

<http://www.evans.washington.edu/>

Conorcio Latinomerciano para Capacitacion en Microfinanciamiento (COLCOMI)

Course (non-credit)

Methodologies Human Resource Development Portfolio Management Finance and Accounting

Director ejecutivo: Men C. Ricardo Skertchly

Asistente de Administración: Lic. Matha Huitrón

Av. de las Torres 131

Col. Olivar de los Padres

c.p. 01780

México D.F.

Tel. : 628-8856

628-8800 ext. 242

Fax 628-8837

colcami@vince.uas.mx

<http://www.uas.mx/colcami/WELCOME.HTM>

APRACA Center for Training and Research in Agricultural Banking (APRACA CENTRAB)

Course (non-credit)

Product and Services Development; Lending Methodologies; Business Development Services; Program Management

Contact Address of APRACA Consultancy Services

Street Address : c/o Bank Indonesia Complex

Credit Department

Jl. M.H.Thamrin No.2

Jakarta 10010, Indonesia

Postal Address :

P.O.Box 7115 - JKPSA

10350A Jakarta

Tel: 62-21-2311694 or 3818541

Fax: 62-21-3802023

Email: bapracacs@indo.net.id

<http://www.soc.titech.ac.jp/icm/apraca/cover.html>

Regional Enterprise Development Institute (REDI) (PRIDE Africa)

Business Development Services; Financial Management ; Introduction to MicroFinance; Program Management; Program Design;

PRIDE AFRICA

P O Box 39320

Nairobi Kenya

Tel: 254-2-749511
Fax: 254-2-745363
Email: pride@africaonline.co.ke
<http://www.africaonline.co.ke/prideafrica/>

Columbia University

Course (university/college credit)

Program Design; Policy and Regulatory Framework; Lending Methodologies; Introduction to MicroFinance; Financial Management

Columbia University in the City of New York
2960 Broadway
New York, NY 10027-6902

Tel: (212) 854-1754
<http://www.columbia.edu/>

Georgetown University

Course (university/college credit)

Community Economic Development ; Introduction to MicroFinance; Lending Methodologies; Performance Rating and Monitoring Policy and Regulatory Framework; Program Design

Community Economic Center,
Box 571058,
Washington, DC 20057-1058.

Tel. : (202)687-5740
Fax: (202)687-5712
shustera@gunet.georgetown.edu.
<http://www.georgetown.edu>

Ohio State University

Program Management; Program Design; Product and Services Development ; Lending Methodologies; Introduction to MicroFinance

Ohio State University
Rural Finance Program
2120 Fyffe Road
Columbus, Ohio, USA
43210
General Information: Rurfin@postbox.acs.ohio-state.edu
Tel: (614) 292-8019
FAX: (614) 292-7362

<http://www-agecon.ag.ohio-state.edu/ruralfinance/>

University of Maryland

Course (university/college credit)

Lending Methodologies

University of Maryland
Geography Department
2181 LeFrak Hall
College Park, MD 20742
Telephone: 301-405-4050
<http://www.geog.umd.edu/>

Coady International Institute, St. Francis Xavier University

Course (university/college credit)

Community Economic Development Program Management

Coady International Institute

St. Francis Xavier University

PO Box 5000,

Antigonish, NS

Canada B2G 2W5

Phone: (902) 867-3961

FAX: (902) 867-3907

E-mail: coady@stfx.ca

<http://www.stfx.ca/institutes/coady/>

The University of Reading

Certificate

Financial Management ; Program Design

The University of Reading,

Whiteknights Reading

Berkshire RG6 6AH

United Kingdom

Tel: (0118) 987 5123

Fax: (0118) 931 4404

information@rdg.ac.uk

<http://www.rdg.ac.uk/>

Johns Hopkins University

Course (university/college credit)

Business Development Services ; Introduction to MicroFinance

Johns Hopkins University

The School of Advanced International Studies

The Program on Social Change and Development

1740 Massachusetts

Avenue NW

Washington DC 20036

Fax. 202.663.7701

<http://www.sais-jhu.edu/>

University of Bath

Course (university/college credit)

Introduction to MicroFinance; Lending Methodologies

University of Bath

Claverton Down

BATH BA2 7AY

United Kingdom

Telephone +44 (0)1225 826826

<http://www.bath.ac.uk/>

Nanci Lee

Program Manager, Knowledge Bank

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Date sent:	Thu, 30 Mar 2000 10:57:24 +0800
Send reply to:	devfinance@lists.acs.ohio-state.edu
From:	nfernando@adb.org
To:	devfinance@lists.acs.ohio-state.edu
Subject:	A new publication on ASA

Yesterday I received a copy of a new publication titled: Maturing of Micro-credit Movement (Transaction Cost, Profitability and Service Quality) : Some Pointers from ASA, by Pankaj S. Jain, published by ASA. This is an interesting paper. It provides latest data on ASA operations and compares with BRAC and Grameen.

I have not finished reading it. But the following I have noted so far:

According to the publication, ASA had an on-time recovery rate of close to 99 per cent; and Grameen's on-time recovery rate had dropped to less than 90 percent, with many believing it to be as low as around 70 percent, towards the end of 1999 (page 2).

The publication claims that ASA did not rely on the availability of donor funds or concessional finances (page 2). [But this is highly misleading. ASA did get donor funds and still relies on concessional funds from PKSF.]

ASA had at the end of 1999:

1.467 million members

1.08 million active borrowers;

3.679 billion Taka of loans outstanding

2.945 billion average loans outstanding

1.269 billion of savings deposits outstanding

50 % of this deposits are still from compulsory weekly savings

35 % from voluntary savings

5 % from associates' savings

10 % from long term savings (may be this is also voluntary)

1.3 billion TAKA outstanding loans from PKSF (which lend to ASA at 5 % per year)

ASA made a profit of TAKA 89.6 million in 1999; had a capital fund of Taka 1.357 billion

In 1992 to ASA had 88,000 borrowers ; ASA charged a flat interest rate of 15 per cent per year until 1995. From 1995 charges 12.5 percent per year on flat basis. ASA operates in a very competitive environment , competing with giant microfinance institutions such as BRAC , Proshika and Grameen. I will just pose one question for the DFNers to discuss on ASA: That is :

What would happen if ASA does not have access to cheap loanable , long-term funds from PKSF ?

ASA e-mail address is: asa@bd.drik.net

Pl do not direct any questions to me on how to get the book. You may inquire that from ASA.

Nimal Fernando

Senior Project Economist - Microfinance

Asian Development Bank

Manila, Philippines

Date sent: Sun, 26 Mar 2000 11:24:30 +0000
Send reply to: devfinance@lists.acs.ohio-state.edu
From: jowens@cdo.webling.com
To: devfinance@lists.acs.ohio-state.edu
Subject: Savings Mobilization Cost Issues

I have been off the devfinance list for some time as my e-mail connection has been quite slow here in the Philippines.

I have some questions for those who have been involved with savings mobilization issues and in particular the cost implications of small scale savings mobilization. As some of you know, I finished my contract last year in Bolivia and I am now working with rural banks in the Philippines. The rural banks here have a rich tradition of small scale savings mobilization with a high percentage of accounts below \$200. The project I am working on is currently working with 20 rural banks in Mindanao that offer savings services and have around 200,000 outstanding savings accounts. The banks have a rich experience offering savings services, especially in rural areas. The biggest challenge is to look at analyzing the cost implications to determine at what point small accounts are viable for the bank. For lack of a better term, I'll call this the "break-even" size of savings accounts. Coming up with the "break-even" balance has been a challenge.

I have reviewed Bob Christen's piece on analyzing costs of savings services and modified the approach a bit based on available information in the banks. The approach that I have been taking is to compare the costs of regular savings accounts with the costs of time deposit accounts to come up with a "break-even" level for savings accounts. As it has been difficult to do a thorough cost analysis, I have come up with two simplified approaches. The first approach is just to break down costs into direct costs (personnel involved 100% with the product ie - mobile savings collectors for savings and loan officers, loans collectors, loans bookkeepers for loans). I then look at all other personnel costs and operating costs that are not 100% directly involved with one product or the other and then prorate these costs to each and every account (loans, savings, and time) that the bank has to arrive at an operating cost per account. The "break-even" account balance then can be derived from comparing time deposit accounts with regular savings accounts. The "break-even" balance would be the average balance where the costs of mobilizing regular savings account (direct costs + overhead costs + interest expense) is less than or equal to the costs of mobilizing time deposits (direct costs + overhead costs + interest expense). So a bank that pays an average interest expense of 11% on time deposits and has direct and overhead costs associated with these accounts of 2% should have savings account costs (direct costs + overhead costs + interest expense) that do not exceed 13%. Therefore, if the bank pays 4% on savings accounts, the "break-even" balance would be the amount needed per account to keep direct and overhead costs (as a percentage of regular savings balances) at or below 9%.

The second approach has been to conduct a transaction based analysis similar to the one in Bob Christen's book (Banking Services for the Poor). The transaction based approach has been more useful in analyzing costs for such services as regular mobile pick-up savings services. Most of the banks have mobile collectors that pick-up savings in the public market areas daily. The cost analysis is similar to one above, except that the costs associated with each transaction are analyzed instead of direct costs. The overhead costs are still applied equally to all accounts (loans, savings and time). The costs of the different transaction approaches (daily, weekly, monthly pick-up services) plus overhead and interest expense are still compared against all costs associated with time deposit accounts. The "break-even" point is still the savings balance needed to keep costs at or below time deposit costs.

These ideas are now being pilot tested to help the banks look closer at the cost implications of different small scale savings mobilization strategies. The banks can then look toward ways to increasing average outstanding balances to reach the "break-even" level through cost cutting, incentives for savers, and staff targets as well.

I would appreciate anyone's thoughts or ideas on these approaches.
John Owens

Date sent: Wed, 29 Mar 2000 19:12:18 -0500
Send reply to: devfinance@lists.acs.ohio-state.edu
From: "Warren Brown" wsbrown@mediaone.net
To: <devfinance@lists.acs.ohio-state.edu>
Subject: RE: Savings Mobilization Cost Issues

John,

I would concur with Maria Luisa that, if the available information permits, looking at minimum balance levels on a relationship basis rather than a standardized policy would be preferable (the bank is probably more willing to accept a low-savings balance from a customer who has several other profitable relationships with the bank (loans, term-deposits, etc) than they are to accept the customer who just has their general savings account with \$25 in it).

As to your question about the methodologies that you describe, I may be missing something, but I am uncertain why you chose to use the cost of mobilizing term deposits as your "break-even" reference. If I understand the calculation correctly (and its entirely possible that I don't) the break-even level you are calculating sets the cost per \$ of savings mobilized equal for the two types of accounts. It seems to me that missing from this equation is the revenue side of the picture. I'd have thought that a break-even calculation would tell the bank when the revenue earned from investing customers' savings is exactly equal to the cost of acquiring those funds (as you describe, interest paid + direct costs + overhead).

If you buy this argument then you would need to calculate the average annual return earned by the bank on its various investments (loan type A, loan type B, liquid reserves, cash reserves, etc.) and determine where, on average, general savings are invested (what portion are held in cash reserves or liquid reserves and what portion are loaned out) to determine a weighted average revenue per dollar of general savings. When this is equal to the average cost per dollar of general savings (calculated as you described) you have your break-even level. You could do a similar calculation for the term deposits.

For example:

Suppose:

30% of general savings balances are held in cash reserves earning, on average 2% - 20% of general savings balances are held in liquid reserves (term-deposits, CDs) earning on average 5% - 50% of general savings are poured into the bank's loan fund which generates a net return (interest & fee income less direct costs, bad debts expense and overheads) of 20%.

The weighted average revenue earned on general savings would be $((2\% \times .3) + (5\% \times .2) + (20\% \times .5)) = 11.6\%$ and the break-even savings balance would be that at which $(\text{direct costs} + \text{overhead} + \text{interest expense}) / \text{savings balances} = 11.6\%$.

The concern I have about equating the cost of general savings with term deposits is that it seems to assume:

- 1) That the bank is able to earn a profit from investing funds collected in its term deposits at existing prices (which hopefully is the case, but may not be if the term deposits are priced too high or the bank is having trouble with its loan portfolio)
- 2) That funds acquired in general savings will be invested in the same manner as funds acquired in term deposits...this seems unlikely as the bank should need to keep less reserves for term deposits than for general savings

I would be very interested in your thoughts on these comments. I may well be oversimplifying or complexifying the question.

Regardless of the methodology adopted for calculating the break-even savings balance, the interesting follow-on question is, What should the Bank do about low balance accounts to bring them above break-even?

- Should they encourage customers to save more?
- Or begin to weed out low-balance accounts?
- Or reduce the interest rate paid on low-balance accounts, thereby reducing the required break-even?
- Or focus on reducing the cost of mobilizing savings?
- Or charge fees to low-balance account holders in order to ensure break-even?
- Or some combination of the above?

Does anyone out there have experience experimenting with different combinations of these options? How successful were they?

Hope this is helpful. I look forward to any comments/reactions or corrections.

Cheers, Warren

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Date sent:	Wed, 1 Mar 2000 14:11:36 +0100
Send reply to:	devfinance@lists.acs.ohio-state.edu
From:	"Frits Bouman" <f.bouman01@chello.nl>
To:	"Devfinance" <devfinance@lists.acs.ohio-state.edu>
Subject:	re informal finance in india: of pride and prejudice

Recent postings on moneylenders (m.l.) in India revived an old stereotype. According to Thorsten Giehler and Srinivasan and Guneseke, "m.l. in India and Sri Lanka are not development oriented; they finance traders and shopowners and have a vested interest in making their clientele remain their clientel forever." As is usual with stereotypes, believed to be shared by most people, no arguments are forwarded why this is the case; while logic suggests that development brings more trade and more shops, hence more business for the m.l. who, subsequently, and like any other businessman, tries to keep his clientele rather than loose them to the competition.

Typcasting the m.l. leads to a fruitless discussion. M.l. come in all shapes and sizes. Few are professional m.l., but practice lending to promote their major business such as produce buyer, sales agent, landlord, processor of goods; or, to protect their reputation as office bearer such as secretary of the cooperative or president of a Rosca. There are innumerable small petty m.l. besides a few big ones. The latter often refinance the former. It is hard to see why a m.l. would not be interested in development and apply his imaginative skills to participate in it.

The ones who tickled my imagination were the milkcollectors in Sangli District, Maharashtra, India. They transport buffalo milk daily on a bicycle from the farm to nearby collection centres, run by dairy factories in the main cities (like the one in Puna, more than 200 km away!). In the flush season milk is collected twice daily. The milk fetches a prize, relative to its fat content, more fat brings higher payments. Collectors thus have a vested interest in discouraging farmers to dilute milk with water (a common sport!) and are present when the buffaloes are milked. This costs time and limits the collector's outreach and income. Still, milk collection is considered an attractive job and collectors compete with each other for the farmer's favour by offering extra services such as supply of fodder, concentrates and credit for the purchase of a new buffalo. Most loans carry no interest, the only condition is loyalty in the supply of milk to the creditor. Some collectors have organized a Rosca to maintain loan services; some have connections with cooperative societies to obtain loans and have become a point of integration between informal and institutional finance. As group, they are innovative and clearly interested in the district's development potential and I am sure that this example from a semi-arid region (!) is just one of many others.

Keeping an open mind and eye for the ways and techniques of the m.l. could be very profitable to the micro finance industry of NGO's, new in this minefield full of boobytraps. They may be proud of their role as self-proclaimed saviour of the poor - prejudice, however, works counterproductive. frits bouman

Date sent:	Fri, 17 Mar 2000 09:57:01 -0500
Send reply to:	devfinance@lists.acs.ohio-state.edu
From:	dlissit@pacthq.org
To:	devfinance@lists.acs.ohio-state.edu
Subject:	RE: Microfinance and education

Alex,

Pact's Women's Empowerment Program (WEP) in Nepal might be of interest to you. WEP has developed an approach that directly links literacy and numeracy learning to an innovative savings-led village banking methodology.

The program operates in rural villages throughout the southern plains (Terai) of Nepal-- a region in which women traditionally have many obstacles to overcome. Illiteracy rates are very high among women and girls, and girls are typically married at or before puberty. WEP focuses on aiding women to develop the skills, self-confidence, and resources to begin asserting some control over their lives.

At the center of the approach is a series of five self-instructional manuals that use non-formal education techniques to guide the women through an intensive curriculum of literacy and numeracy, village banking, and microenterprise development. The self-instructional nature of the program—Pact field workers only need to visit groups twice monthly to answer questions and present successive chapters-- has allowed us to reach a massive number of women at very low cost. Results to date have been impressive. After just over a year of operations, 140,000 women are enrolled in the program. They have amassed over US\$1.5 million in savings, from which 67,000 women have taken loans to start or expand microenterprises-- and all before beginning the ME component of the curriculum! Per baseline testing, 30,000 women entered the program already literate. In Dec. '99 110,000 passed a rigorous exam.

The key to WEP's success has been the conviction that the program must be based on women developing a sense of ownership and self-reliance. Thus they pay membership fees to join a group, purchase the manuals themselves, and purchase everything from passbooks and forms to lanterns and kerosene for evening meetings. All the funds go directly into the group account. Too burdensome? On the contrary-- most groups meet daily to advance through the manuals more quickly, and many set book fees higher than the minimum recommended amount in order to grow their loan fund. As they have learned to have confidence in the system and in their own capacity they have begun to change their spending patterns, passing up that bangle in the market in order to increase their weekly savings.

In later stages of the program as the women become more sophisticated in their management of the village banks and their microenterprises, Pact will begin creating apex institutions, linking the VBs and giving them access to external capital.

I'd be happy to share more information on this methodology with anyone who's interested.

Daniel J. Lissit
Program Officer for Microfinance
Pact DC
Tel. 202-466-5666
Fax. 202-466-5669

Learn more about Pact! Visit us at our website www.pactworld.com or www.pactpub.com

Date sent:	Mon, 13 Mar 2000 20:17:42 GMT
Send reply to:	devfinance@lists.acs.ohio-state.edu
From:	Pascal COLLANGE <collange@djata.malinet.ml>
To:	devfinance@lists.acs.ohio-state.edu
Subject:	BNDA Mali - a successfull agricultural development bank

Dear jane,

I agree to get rid of bad banks and bad financial institutions. They use public deposits, as it is likely that their shareholder's equity has already shrunk to nothing, to give away bad credits. But why shooting at agricultural banks as if they were evil ?

In finance (I include microfinance) evil is not agricultural development banks but :

1° loss of public deposits as it kills confidence in other society/institutions. This is by far the worst thing because people's trust in banks is challenged when a bank/IMF closes or when it is unable to pay back deposits, for lack of a earlier shutting down.

2° giving bad credits to debtors who already have taken "normal" credits from other society/institutions as it may transform the formerly "normal" credits in bad debt

3° bad management, as in every society. Some agricultural development banks have had to shut down and public has lost deposits with them. But it happens also unfortunately with many commercial banks. So why pretend they must be evil ?

A TRUE SUCCESS STORY ...

BNDA in Mali is a agricultural development bank. It has been founded 20 years ago because, while Mali's economy is poor and mainly agricultural, commercial banks were reluctant to finance agriculture. Shareholders are Republic of Mali (40%), the regional central bank for West-Africa (BCEAO) (20%), french (AFD) (20%) and german (DEG and KfW) (20%) cooperations. Nobody else is interested in taking risks to finance a sahelian agriculture where peasants' production depends on how it rains. According to your standard, BNDA should be dead by now.

But the bank has properly financed peasants and sound agro-industries (cotton, oil and soap, flour-mill). BNDA has given both investment loans and short term loans to peasants without real securities, only with joint solidarity guarantee of groups of individuals. Moreover, BNDA has been the first bank to lend to microfinance institutions in Mali. It has been doing it for over five years and currently lends 4 millions USD to around 10 MFI, including Kafo Jiginew, CVECA Pays Dogon, CVECA Pays malinké, CVECA Office du Niger. BNDA globally lends about 70 millions USD per year with a global payback ratio of 97% to 98%, depending on the year. BNDA dispenses no subsidy to its customers, which does not prevent its activity (credit, deposits and financial services) is increasing every year.

140 people work for BNDA to operate 20 branches throughout Mali. All branches are computerised, even in the remotest bush. BNDA transfers money through Mali in 24 hours. Service quality is good and improving. Audited financial records are very good, prudential ratios are respected, profitability is acceptable and shareholders agree to capitalise profits.

... SOMETIMES DENIED BECAUSE OF PREJUDICE

So every thing is perfect ? NO. Why : because too many people are prejudiced against agricultural development banks.

When International Finance Corporation (IFC, World Bank group) intended to guarantee micro-finance institutions in Mali, they sought every private banks for three years before they considered working with the so called evil, when they looked closely at what BNDA was doing and how BNDA was doing it (I admit they eventually did it).

When USAID seeks a bank to manage credit lines designed for agriculture in Mali, they simply do not think about BNDA. When USAID invites to tender for financial services to its staff in service in Mali and when BNDA happens to win, BNDA is turned down at the embassy as it is evil. Nothing bad, no hard feelings are intended against BNDA by USAID or US embassy, they are simply prejudiced as they have been told by everybody and everywhere that an agricultural bank should be evil, regardless of its records.

So what ? The problem is that all banks in Mali are not in the same favorable financial and management position as BNDA is. They are owned by businessmen who are among the biggest borrowers of their bank, and not always the best debtors (you can meet evil everywhere). Nevertheless, because they are privately owned, they are GOOD and supported by some major donors.

Your comments is suddenly turned upside down in the case of Mali ... The agricultural development bank is in good shape, the development bank has been successfully restructured (with the help of a Moroccan bank) in early 90s, but it seems harder to restructure private commercial banks !

CONCLUSION

Getting rid of the burden of bad banks is a good thing. But let us have a close look at every bank to see whether it is good or bad. Ask for audited accounts, prudential ratios, activity reports, bad debt history and business plans, spend a little time checking out figures and understanding what the bank is doing. When possible let's do some ground work. And then shoot at the evil ones.

By the way, the central bank in western africa (BCEAO) and countries of UEMOA work constantly to improve to situation of banks and do not hesitate to require governments to close the dead bodies. In the late 80s and early 90s two agricultural banks (in Ivory Coast and in Benin) have been liquidated along with several public commercial banks (in various countries). But they seem to face a real harder job in front of privately owned banks, even when their records are bad for a long period of time.

Let us hope that bad banks (and bad micro-finance institutions) will be closed so that the good ones will be able to maintain trust of public.

I thank you for giving me the opportunity to give information about BNDA and shall be glad to give further information directly to anyone interested.

Pascal Collange

Deputy general manager

BNDA Mali - a successful agricultural development bank in Mali