ANNEXES

May 2000

From: Carlos Ani [carlos-ani@mail.com]
Sent: Tue 30.05.00 02:25
Send reply to: devfinance@lists.acs.ohio-state.edu
Subject: TOT Courses on Community Mobilisation for Self-help Groups and Economic Activation, in India

Announcement from ASEED:

We are pleased to enclose a programme announcement about the Fifth International Workshop on „Community Mobilisation for SHG Formation & Economic Activation". You may like to advise your colleagues and all MFIs (that are involved in self-help group formation) about this.

Yours Sincerely
For ASEED, DELHI
Mridul Shekhar-Programme Coordinator

Note : Below The summary brochure is attached for your kind perusal. Summary of International Programme TOT Courses on Community Mobilisation for SHG Formation & Economic Activation

Dates : September 18 - 30, 2000
Venue : Hotel Clarks Amer, Jaipur, India

The major objective of self reliance and sustainability of an income generating programme and micro-enterprise development endeavour can not be achieved without an effective linkage with micro credit and saving mechanism. This interplay between the two sub-systems of socio-economic development i.e. micro enterprise development, micro credit and saving mechanism has been quite smooth and effective in case of Self Help Groups (SHGs). It is, therefore, important that micro-credit practitioners in the banking and non-government sectors, the micro-enterprise promoters, trainers and facilitators of the process are familiarised with and oriented to the human processes involved in community mobilisation for formation, energization and capacity building of Self Help Groups (SHGs). The course seeks to develop competence and skills in the participants which would enable them in turn to train functionaries for speedier economic growth of rural people through SHG formation.

Objectives
Help examine the process of community mobilisation and its thrust on group formation
Enable participants to learn capacity building skills for SHGs and networking with micro credit programme.
Learn skills to encourage micro-enterprise creation with the help of SHGs to attain sustainable community processes for development.

Contents
Community participation - Group dynamics & trainer's skill.
Strategies and Processes of community mobilization for SHGs with focus on IGP and MED.
Micro-credit - its linkages and support for micro-enterprises promotion.
Income generation activities, their strength and role in sustainable development.
Need and scope of MED through SHGs - Experiences and experiments.
Training curriculum for Micro-enterprise development- identification and formulation.
Appraisal technique in micro-enterprise projects.

Methodology
Medium of instruction will be English. Efforts will be made to create experiential learning through simulation games and exercises, process work, case study and experience sharing.
Basic information about policies, programmes and achievements of SHG formation and economic activation
Case Studies of organisations/agencies and strategies used for promoting
SHG formation and economic activation.

Participation Fee
The programme will be residential for which the fees are as follows :
International Delegates : US $750
The fee covers lodging, boarding and supply of teaching materials. The fee does not include feild visit and local conveyence, covering local transportation etc. Extra charge for the same is US$100 each.The fee is to be paid by bank draft in favour of ASEED A/c International, payable at New Delhi. (Accommodation on twin sharing basis).
The capital of Rajasthan, Jaipur, is popularly known as the Pink City. Built by the warrior-astronomer Raja Jai Singh II in the 18th century, it is full of formidable forts, enchanting palaces and lovely temples. Jaipur is listed in most tourist books as one of the three cities that make India's Golden Triangle - the other two are Delhi and Agra. The old city of Jaipur is enclosed within seven gates, the most important of which are Chandpol, Ajmeri, and Sanganeri. The bazaars of Jaipur are a major attraction for tourists who find themselves deluged with hand-printed cottons, dyed silks, silver jewellery, precious gems and Mughal minature paintings.

Getting There
The Jaipur airport is 15km from the main city and is connected to Delhi, Mumbai, Jodhpur, Udaipur, Jaisalmer, Ahmedabad, Aurangabad, Calcutta and Varanasi by regular flights. It is also linked to all the major towns in India by rail and road. An efficient bus service links Jaipur to cities like Delhi, Jodhpur, Kota, Ajmar, Udaipur, Bikaner, Bharatpur, Bundi,Mount Abu, Jaisalmer, Chittorgarh and Jhunjhunu.

From: K Rajaraman [k_rajaraman@hotmail.com]
Sent: Fri 12.05.00 15:14
Send reply to: devfinance@lists.acs.ohio-state.edu
Subject: Re: Ruthoford's Way

Dale:

You are correct in your observation that debt asd savings are both important. It flows from experience that the poor have consumption expenditure(day-to-day) as well as capital expenditure(for income assets as well as housing) to meet. Savings are very essential in a country like India for two reasons: 1. To teach the poor principles of financial discipline in their homes 2. To develop a sense of self reliance by making them mobilise their own resources. The savings starts as an entry point activity but continues in our model of the Self Help Group (please see http://www.tamilnaduwomen.org/). This savings also ensures that they begin to meet their consumption loan needs in the first year form their own group savings (small though it may be). Only after they have learnt the discipline, do we consider them for bank or other credit. Pumping Credit into the Groups without making them save is like flooding the fields with water before the sprouts can absorb them . The result the sprouts rot away.

Debt is a vey important component in the growth phase to take the poor to a sustainable growth stage through Income Generation Programms. This must come after Savings are stabilised. We have developed a set of guidelines for credit support to such Groups . Please see our website.

I think in a situation where there is no crisis (like hunger) the logical route of savings followed by rotation of savings followed by credit would be the best option

Regards
Rajaraman

From: „Dale W Adams“ <dwadams@burgoyne.com> Date: Thu, 11 May 2000 22:27:53 -0600 **Send reply to:** devfinance@lists.acs.ohio-state.edu **Subject: Ruthoford's Way**

Hope Geetha won't mind a postscript to her mention of Stuart Rutherford's The Poor and Their Money. CGAP sent me a copy, but I'm unsure if they can distribute copies to others. Their e-mail = cproject@worldbank.org. Rutherford's e-mail = safesave@aol.com.

The book is first rate and a must read for those involved in microfinance programs. It is short, well written, and insightful. Unlike most publications about „microfinance“ Rutherford stresses deposit taking. Four aspects of the book impress me:

1. Rutherford formed his notions about microfinance by studying informal finance and poor people in various countries. He concludes that many poor people have a strong desire to save more in secure ways. I looked for and didn't find any mention of needs for additional debt or debt as an entitlement.

2. Based on what he learned from studying informal finance, Rutherford then developed a microfinance program for poor people that better provides some of the important financial services commonly found in informal finance, particularly ways to save.

3. Rutherford has a nice way of integrating debt and deposits. He notes that both activities are based on discipline. Borrowers must exercise discipline when they withdraw funds from consumption to repay debts. Likewise, depositors must flex similar discipline when they divert income to savings. Poor people generally sort out this issue by forcing potential borrowers to demonstrate their discipline through savings performance before being trusted with an informal loan. This may have been one of the reasons that Rutherford places more emphasis on deposit-taking than on lending.

4. Finally, it is noteworthy that Md. Yunus and Rutherford came to dramatically different conclusions about microfinance problems in Bangladesh. On the one hand, Yunus decided that all poor people needed more debt. He further concluded that poor people would only save in the Grameen Bank if they were forced to do so. On the other hand, Rutherford concludes that most poor people in Bangladesh want to save more and that they have the capacity to boost their voluntary financial savings if proper incentives and opportunities are available. He also concluded that some poor people occasionally had economic opportunities that justified borrowing and that a few lending services should accompany deposit-taking efforts. Based on their views of the world, Yunus rushed forth to collect funds from Ford Foundation, the Germans, and the Central Bank to fill the debt needs of the poor. Rutherford, in contrast, patiently sent deposit-taking agents around to collect savings from the poor and provide loans to a few. Yunus and Rutherford can't both be right. All poor people can't have a dire need for additional debt and, at the same time, have latent capacity to save more. Perhaps it's largely a question of balance where some organizations specialize in providing micro loans, while other organizations emphasize deposit mobilization. I suspect that the current mix of 99+% microdebtors and less than 1% microdeposit-takers, nonetheless, is not the best balance. I'd feel more comfortable if the mix were tilted in favor of Rutherford's way. Some bright graduate student should explore the incentives that have lead the donor community to develop such a lopsided financial system for poor people and why those who stress more debt will likely capture most donor support as well as international accolades..........................jane.

From: H Seibel - LAN [SMTP:h.seibel@ifad.org] **Sent:** Samstag, 6. Mai 2000 13:42 **Send reply to:** devfinance@lists.acs.ohio-state.edu **Cc:** Y.Diethelm@ifad.org **Subject:** Rural Finance Working Papers

Dear friends and colleagues:

In April 1999 I took a leave of absence from the University of Cologne. I am now as Rural Finance Adviser with the International Fund for Agricultural Development (IFAD), a specialized agency of the UN in Rome.

I attach a list of Rural Finance Working Papers. Electronic copies may be requested from:

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IFAD Rural Finance Working Papers:

A: Strategy papers

A1: IFAD's Rural Finance Policy (Doc. #95906 English; #95908 French; #95909 Spanish; #95910 Arabic, hard copy only)

A2: Challenges, opportunities and options for the development of rural financial institutions (Doc. #83020)

A3: Microfinance strategies: Strategies for developing viable microfinance institutions with sustainable services - The Asian experience (Doc #51174)

A4: Informal Finance: Origins, Evolutionary Trends and Donor Options(Doc #48970)

A5: Outreach and Sustainability of Rural Microfinance in Asia: Observations and Recommendations (Doc #51904)

A6a: Transforming Rural Finance in Africa: The Role of AFRACA in Linkage Banking and Financial Systems Development (Doc #60138)

A6b: Transformer les Finances Rurales en Afrique: Le rôle d'Afraca and le couplage des opérations bancaires et le développement des systèmes financiers (Doc #62447)

A7: Agricultural Development Banks: Close them or Reform them? (Doc #51855)

B: Case and country studies

B1: Are Grameen Replicators Sustainable, and do they reach the Poor? The Case of CARD Rural Bank in the Philippines (Doc #47436)

B2: Attaining Outreach with Sustainability: A Case Study of a Private Microfinance Institution in Indonesia (Doc #49390)

B3: Microfinance in Laos: A Case for Women's Banking? (Doc #50401)

B4: From Informal to Formal Finances: The Transformation of an Indigenous Institution in Nepal (Doc #48902)

B5: How an Agricultural Development Bank Revolutionized Rural Finance: The Case of Bank Rakyat Indonesia (Doc #48881)

B6: Agricultural Development Bank Reform: The Case of The Bank for Agriculture and Agricultural Cooperatives (BAAC), Thailand (Doc #46498)

B7: Microfinance in Nepal - Determinants of Viability, Sustainability and Outreach among Grameen, NGO, and Cooperative Microfinance Institutions (Doc #49794)

B8: Microfinance in the Philippines: a social capital perspective

B9: Financial Service Associations: A Microfinance Innovation in Bénin (Doc. 86020)

B10: Rural Finance in Ghana (Doc. 86373)

C: Tools and instruments

C1: Developing a system of rural finance for the poor: A Logical Framework of Key Challenges, Strategic Opportunities and Options (Doc #51987)

C2: Performance Measurement and Internal Control of Microfinance Institutions (Doc #51996)

C3: Direct supervision of IFAD projects and credit institutions (Doc #52005)

From: nfernando@adb.org
Sent: Mon 15.05.00 02:22
Send reply to: devfinance@lists.acs.ohio-state.edu
Subject: saving habit

Very often some people who comment on savings in the DFN state implictly or explicitly that poor people have to learn to save. A message a few days ago said, for example, that „ after they have learnt the discipline. „ Please forgive me writing this. My humble view is that „ we can learn from the poor" how to save, and there is very little that we can teach them, if at all. There is very little that they still have to learn. The problem is much more on the supply side in that there are no products and services attractive to the poor in terms of service quality, characteristics and transaction costs. The empirical evidence is strong that when these factors are in place, the response from the poor is enormous and very quick, without any major educational programs. Those who say that we have to educate the poor to save, probably have to spend little more time to study the informal markets and read and re-read the literature on these markets.

On 5 May on CNN website, I read an article on „Finding ways to save $$$. This is meant for low income households in the US and other developed countries. Of course, they have to learn a lot, and they can do that by studying how the poor save in developing countries. The best way to do this sort of things is again to study the informal markets.

Nimal A. Fernando
Senior Project Economist - Manila
Asian Development Bank
Manila

From: Chris Watkins [SMTP:cwatkins@rad.net.id]
Sent: Mittwoch, 17. Mai 2000 11:28
Send reply to: devfinance@lists.acs.ohio-state.edu
Subject: Re: saving habit (& culture)

Nimal A. Fernando wrote:

> *My humble view is that „ we can learn from the poor" how to save, and there is very little that we can teach them, if at all.*

Perhaps this depends on *which* poor. To start with, here's something a Singaporean Chinese told me about the ethnic groups in Singapore:

> „If a Chinese person makes $1000, they will save $800 or $1000, and use it to earn more money. An Indian person is similar, spending no more than about $200, and saving the rest. If a Malay person earns $1000, they will spend the whole $1000, then go back to work to earn more."

This fits with my observations living in a mainly Javanese society (a culture similar to Malay), which appears to have a very short-term perspective. I even hear stories of people getting money, immediately buying a motorbike, then later finding they have to sell the motorbike at a loss to meet other needs.

There's various possible reasons for these differences. For example, Galbraith's idea in „The Nature of Mass Poverty," (1979), He wrote that people in traditional societies learn to tolerate, or „accomodate" poverty, and not struggle to break out of their place in society. Such struggle may in the past have only led to repercussions and worse suffering. But when they are are shaken out of their „accomodation" to poverty by major changes (education, disaster, emigration...), they no longer have fixed, limited expectations, and as they struggle to survive in a foreign or changed environment, they often break out of poverty.

An idea of my own is that in the culture of poor Javanese, which is close-knit and quite traditional, it may be hard to save for the future. Mutual help is integral to the culture, and if a relative or friend has a need, it's very hard to refuse to help. And there seems to be a weaker concept of personal possession, so if someone else feels like they need your money or belongings, they may not ask before „borrowing" it. There's also much less privacy, where hiding things is much more difficult. So, if you get hold of some money, the most rational way to use it may be to spend it immediately! (It's also a consumptive culture and values appearances highly - but I don't know to what extent these are causes, and to what extent they are effects.)

That said, I imagine that having access to good savings facilities would make a big difference - for example being a member of a rosca („arisan“) that compel members to contribute regularly or forfeit the money paid so far, or microfinance schemes with compulsory savings. This would give an incentive to not spend the money, and a valid reason not to give in to pressure to spend or give the money, as membership in the rosca or MF program is too important to risk. In fact, any kind of savings program could be of benefit, in putting money safely out of reach.

This theory suggests that term deposits could be particularly useful (including special purpose accounts such as saving accounts set to mature in time for a child‘s education). In Javanese culture in particular, being able to say „I really can‘t spare the money“ would be very helpful to people trying to save money.

Interested to see the reactions,
Chris

From:	Olaf Kula [SMTP:okglobal@bellsouth.net]
Sent:	Donnerstag, 18. Mai 2000 17:45
Send reply to:	devfinance@lists.acs.ohio-state.edu
Subject: Re : saving habit (& culture)	

Chris‘ comments stirred some thoughts on the preconditions for savings or rather a savings culture. I recently returned from Namibia, where I found very little evidence of indigenous and informal savings societies or groups. I found this very surprising particularly given the pandemic nature of ROSCAs and ASCAs throughout Africa and elsewhere.

Cultural norms aside, I have observed savings behaviour to be inversely proportional to the level of wage labour security or dependance, and the level of the social welfare net. Both of these factors correlate to risk. If I am guaranteed a job for life, then I no longer need to save against the risk of future income loss. If there is a social welfare system that protects me against the risk of unforseen medical expenses, unemployment, retirement, etc., then the only thing I need to save for is future consumption expenses.

For a long time Namibia has functioned as a captive wage labor market for South African, and other expatriate interests. Consequently, the level of small scale entrepreneurship is very low compared to other African countries. While the safety net is not so strong as in northern industrialized countries, the dominance of wage labor is. The rate of savings while growing appears lower than in west and east African societies.

Another example that challenges the cultural component is the relatively high level of savings among the poor in West-Africa, and the West Indies, but relatively low level of savings among the poor in the African American population. Historically black Americans have had much less access to entrepreneurial activity and higher dependance on wage or crop share labor than blacks in the west Indies, or Africa.

This area has been inadequately researched and I would be interested in hearing from others especially anyone who had hard data. Understanding why people save, will enable us to better design products that meet their needs, than assuming that we have to teach the poor how to save.

Olaf

From:	Linda MAYOUX [SMTP:rcy12@dial.pipex.com]
Sent:	Freitag, 19. Mai 2000 10:47
Send reply to:	devfinance@lists.acs.ohio-state.edu
Subject: Re: saving habit (& culture)	

I agree with Chris. I get rather tired of this oversimplified debate – on both sides. ‚The poor‘ like the rest of us are a very diverse lot.

Good savings facilities are obviously crucial for poor people as everyone else and they need a diversity of terms and conditions to serve different purposes. Studies of MFIs find that most people combine MFI savings with ROSCAs, Post Offices and other means. Savings are also crucial for women, particularly those in unstable relationships with abusive and violent husbands, as a means of building an asset base secure from the predations of their husbands, and also ensuring that at least some of their husband‘s income goes into the household.

Nevertheless savings are foregone investment and consumption. It is no more a panacea than credit. The current enthusiasm for savings should not detract from the much more important task of developing programmes which really help people increase incomes. Also there is a danger of using women as a savings conduit for the family at the cost of their own nutrition and health. Some savings and credit systems, particularly co-ooperatives, seem to be a means for getting women to save to put into a fund which is then loaned to men. These systems may well work to women's disadvantage because women are not adequately represented on the decision-making bodies.

In sum this whole enthusiasm for savings seems to be yet one more way of getting poor people, particularly women, to squeeze their consumption and well-being as a form of self-help without requiring any real effort or change for the rest of us,

Linda

From: W Hiemann [SMTP:hiemann@indosat.net.id]
Sent: Donnerstag, 18. Mai 2000 19:02
Send reply to: devfinance@lists.acs.ohio-state.edu
Subject: savings in developing countries

At 10:16 16/05/2000 -0400, you wrote:

I agree with Nimal except on one point.
We all need to learn .... .. It is teaching them (the poor) improved savings methods and bringing them improved savings instruments that is the issue.

Ahmad Jazayeri
FSA International

Yes! But this makes it difficult!

If we promote savings in development countries with their weak currencies and yields often (or even regularly?) below inflation rates: Do we think that this is a good advice?
It may be justified to save in local currency if it concerns an amount that covers up to about three months cost of living (disputable rule of thumb). These savings are reserves for events that hopefully do not happen, like harvest loss, accidents, and much more. These savings resemble an insurance cover. The loss of real value (negative real interest rates) is compensated by feeling safe.

Once this amount has been saved I do not see any further good reason to save on a savings account. Or is there? Saving money to be used as a kind of pension later? When professional pension funds invest the money in the real sector like property?

I think it is not a good advice. At least not saving in a third world country currency.

Now, shall we recommend that savings above a certain limit shall better be kept in US$? Shall we recommend that savings are better transfered abroad and better work in other, generally richer economies?

If we recommend that the poor and near-poor should save continuously in their currency we will harm the majority. If we recommend saving in US$ we will harm the economy.

Who can show the way out of this dilemma? Maybe our savings protagonist Dale W Adams can teach us a lesson?

Wolfram Hiemann

From: Ahmad Jazayeri [SMTP:FSALTD@compuserve.com]
Sent: Samstag, 20. Mai 2000 09:27
Send reply to: devfinance@lists.acs.ohio-state.edu
Subject: savings in developing countries - a reply

Wolfman Hieman suggests that it may not be a a good idea to advise the poor to make cash savings in view of inflation.

Well, it depends on the rate of interest offered by the account. It would clearly be bad advice to put cash savings in an account that offers a negative rate of interest no matter how savings-evangelical one may be. It is of course no longer true that there is rampant inflation in most developing countries with negative interest rates. One thing IMF programmes seem to have encouraged and achieved is the containment of inflation and there are many developing countries where the banking system offers a positive rate of interest. But this is perhaps not the main point since banks are not accessible to the majority of the world's poor. An alternative is to establish local financial intermediaries that could potentially offer good real returns on financial savings (much higher than the banks). We have tried to achieve this through the FSA model where financial savings are transformed into equity and lent at 10%-20% per month locally offering a net return of over 50% (in real terms) to shareholders (borrowers are also shareholders). The economics of the model is based on the assumption (so far proven to be right) that local profit margins are very high and can pay such real rates of interest. The account is called a share account and not a savings account although in practical terms it is equivalent to a one year fixed deposit with the major difference that the return is not fixed in advance and would depend on dividend and the share price reflecting the actual throughput or the free cashflow achieved. Even in an inflation ridden country (where this model has not yet been tried), I think the model could work since local profit margins would reflect the rate of inflation and consequently the rate of interest could be adjusted accordingly.

Apart from this longer term savings instrument (as equity investment in the FSA), there is a major need for short term cash security. There are millions of small low income entrepreneurs requiring cash safety facilities (regardless of the rate of inflation). Overnight or short term deposits actually generate an income for the FSAs (instead of receiving interest people are willing to pay a fee to have a safe deposit facility).

Ahmad Jazayeri
FSA International

From: Koenraad Verhagen [SMTP:k.verhagen@worldonline.nl]
Sent: Dienstag, 23. Mai 2000 12:14
Send reply to: devfinance@lists.acs.ohio-state.edu
Subject: Re: protection of savings against inflation - a reaction

Ahmad Jazayeri, in his reply to Wolfman Hieman, has refered to investment in FSA shares, as a means to cope with inflation. This is one possible way, but investing in FSA shares is a risky business, and cannot be the only answer to the many households or individuals who are risk-averse and wish to protect themselves against the erosion of the value of their small, short-term and long-term deposits. SACCOs in Kenya which are practically all over-liquid, have the possibility to open $ accounts with the Co-operative Bank to create a hedge against devaluation of the local currency. As far as I am informed, they do not use this yet as a means to protect the purchasing power of the savings of their small depositors average holding $ 90,-), though I see no reason why they should n't. I know of ,social investors' in the North who have created special funds to protect the value of their $ loans or investments against the ill-effects of devaluation of local currencies. I don't know of any organisation (local or international) which has been working on the establisment of models,techniques or special funds to protect the real value of micro-savings ? Does anybody ?

Koenraad Verhagen

From: Betty Wilkinson [SMTP:seafan@pond.net]
Sent: Samstag, 20. Mai 2000 08:07
Send reply to: devfinance@lists.acs.ohio-state.edu
Subject: Re: savings in developing countries

Interesting discussion on savings. Have just come out of rural China, where the state banks and everyone else was asking why they couldn't mobilize savings. After all: stable currency, very high social propensity to save. Had a look at this question as part of some other work, and found that holding savings in pigs or other small livestock provided a risk-based return around 30% a year, while the official savings rate is 1% a year or less. And, if you want a savings account you have to walk miles to the nearest township for every transaction, even if you can manage the paperwork, while you can sell or mortgage a pig locally in minutes. Know which one I would choose... and so do they.

Betty Wilkinson

From: Michael Skully [SMTP:Michael.Skully@buseco.monash.edu.au]
Sent: Sonntag, 21. Mai 2000 08:02
Send reply to: devfinance@lists.acs.ohio-state.edu
Subject: Re: A Comment on Comments of the Savings Mobilization Seminar in SantaCruz, Bolivia

Others are better qualified to answer your question, but let me give it a try.

There are three major differences: purpose, functions and ownership/control

1. Purpose:
The microcredit institution typically has some specific operational objectives set by its supporting donors whereas the credit union should be operating to maximise the utility of its members (both savers and borrowers).

2. Functions:
In terms of function, I make a distinction between microcredit and microfinance institutions in that the first provides loans and the other loans and savings. One might make difference based on voluntary savings in the latter versus compulsory savings (if any) in the former.

Then comes the issue of loan purpose. My tendency is to equate microcredit/microfinance loans with income generating activities.

In contrast, credit unions both moblise savings and make loans. Their loans cover income generating activities but also a range of other provident purpose (school fees and so forth).

2. Ownership/Control
A microcredit institution is often owned by a NGO, government body, or private institution whereas a credit union is a cooperative owned by its members. Whereas the microcredit institution might have its management or board appointed by a donor or the government, the credit union management, or rather the board that appoints the managers, is elected by the members.

I am sure others would have quite different views, but this might be a good basis on which to start a discussion.

Michael Skully
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AUSTRALIA