

DEVFINANCE

Discussion list on development finance of the Ohio State University

Monthly Review

May 2000

General Information¹

➤ Insurance as a Microfinance Product

In February 2000, MBP organized two workshops to present current MBP research on this topic, including practitioners' perspectives on the issues and challenges facing their current programs. The first workshop was held in Washington, D.C., on February 14, with 75 participants from practitioner, donor, research, and consulting organizations. The second workshop took place on February 29 in Dhaka, Bangladesh, where MBP, in association with CARE Bangladesh, hosted the International Discussion Forum on Micro-insurance.

The MBP papers on microfinance experiments in insurance are available on the MIP Website at www.mip.org. Copies of the Washington workshop presentations can be obtained by sending an E-mail to mip@dai.com. The full proceedings from the Dhaka event is available at:

<http://www.geocities.com/carlosani/proceeds1.html>.

➤ Former USSR countries

Participants of the discussion list interested in issues of agricultural credit, risk, and crop insurance in former USSR countries might be interested in the following discussion papers which can be downloaded from http://www.landw.uni-halle.de/iamo/iamo_e.htm [Publications], and where a number of other papers related to rural development in post-socialist economies can be found as well.

➤ Life in Africa

Since December 1999, the Life in Africa foundation has been publishing "Lasting Impact," a weekly email publication dedicated to the stories of microfinance clients around Africa. Now the foundation would like to invite those in Africa who have documented case studies of how their clients have used savings and/or credit services to make a difference in their lives to join in this effort. The stories need not necessarily be

"success-stories" but should focus on the role (positive or negative) that microfinance plays in clients' lives and why. Particularly welcomed are stories of how clients have benefited from savings services.

Along with each story, a short description of the MFI including all relevant contact info can be presented.

The archives of Lasting Impact are available online at <http://lifeinafrica.com/microfinance/impact/Archives.htm?dfn>

Subscriptions to Lasting Impact are free. You can subscribe with a blank email to <mailto:micro-success-subscribe@topica.com>

➤ Banking and environment

An interesting example of banking for the environment is Triodos Bank's (<http://www.triodos.com/>). Triodos Bank is a profitable social bank lending only to organisations and businesses with social and environmental objectives (Balance sheet total in 1998: Euro 350,508,000). The Bank is a founding member of INAISE (the International Association of Investors in the Social Economy, <http://www.inaise.org/>) and of the Social Venture Network Europe (SVNE). Triodos Bank, Netherlands finances exclusively the development of renewable energy sources (solar and wind), organic agriculture, art and culture, protection of the environment and conservation of nature and microcredit. Have a look as well at the Banking for Culture web site http://www.arts.org.uk/directory/regions/north_west/banking_on_culture/english.html, promoting investment in other (creative) social sectors of the economy.

Courses and seminars

➤ Announcement from ASEED

ASEED, Delhi announces the Fifth International Workshop on "Community Mobilisation for SHG Formation & Economic Activation":

TOT Courses on Community Mobilisation for SHG Formation & Economic Activation

Dates : September 18 - 30, 2000

Venue : Hotel Clarks Amer, Jaipur, India

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 annex, classified in the same order as they appear in the present text.

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.

For more detailed information about contents, methodology etc. please see enclosed e-mail.

Publications

➤ The poor and their money: A must

Stuart Rutherford has published a new book: "The Poor and Their Money", January 2000. There is a free version on the UNDP MicroSave website at:

http://www.undp.org/sum/MicroSave/ftp_downloads/rutherford.pdf and a zipped word version at: http://www.man.ac.uk/idpm/fdrp_wp3.zip

The book can be ordered as well online via the Oxford University Press website. There are two separate websites, one for U.S. customers (<http://www.oup-usa.org/>) and one for those in Europe (<http://www.oup.co.uk/>). Those outside of these two areas should still check these websites and see if they can order by mail.

Additionally, there is a postscript to this new publication this month written by Dale Adams who thinks that „the book is first rate and a must read for those involved in microfinance programs“. See enclosed mails to this topic (both dated 12.5.00).

➤ Engine or lubricant?

Dirk Meyer recommends an interesting article by Arjan de Haan and Michael Lipton on Asian poverty reduction efforts in the last couple of decades in the Asian Development Review, Vol. 16, no.2, pp.135-176 (1998). Regarding direct interventions to reduce poverty, an interesting concluding observation is made that neatly summarizes some of the debates about the impact of credit: "Credit should be a lubricant for the engine of feasible and profitable activities; if the lubricant is mistaken for the engine, the borrower may end up in a debt trap." (p. 168)

➤ Banking and environment

- A study was done by the Canadian International Development Agency (CIDA), entitled "Environmental Sourcebook for Micro-Finance Institutions (MFIs)", info@acdi-cida.gc.ca, <http://w3.acdi-cida.gc.ca/index.htm> or contact directly: DEAN_PALLEN@acdi-cida.gc.ca.
- FAO has published a small book by the late Mike Gudger and David Barker entitled "Banking for the Environment". Copies are available on request, in

English, French and Spanish. The document is online at:

<http://www.fao.org/docrep/t0719e/t0719e00.htm>

➤ Rural Finance

Electronic copies of IFAD Rural Finance Working Papers may be requested from: Y.DIETHELM@IFAD.ORG. Please see enclosed e-mail for complete list.

The contact person is: Hans Dieter Seibel Rural Finance Adviser IFAD, Via del Serafico, 107, 00142 Rome, Tel. 0039 0654592012, Fax 0039 0654592018.

Subjects of interest

➤ The need to save, its habits and culture

This month's discussion on savings started from Nimel Fernando's opinion about the following: that the main issue with the poor is not to teach them to save but to offer them appropriate savings products with regard to service quality, special characteristics and attractive transaction costs. In this context, one participant mentioned the threat of loss because of inflation risks in many countries. Another reported that she had observed in rural China the practice of savings in real goods like pigs instead of monetary savings – thanks to much higher return rates. Ahmad Jazayeri from FSA International suggested for protection against the inflation risk the investment of savings into equity-based financial service associations (FSAs). FSAs offer the transformation of financial savings into equity to be lent at 10%-20% per month locally offering a net return of over 50% (in real terms) to shareholders (borrowers are also shareholders).

While the importance and influence of cultural traditions in savings is not being denied in the discussion, one participant reports about an interesting situation he observed in Namibia: that savings behaviour to be inversely proportional to the level of wage labour security or dependance, and the level of the social welfare net. Linda Mayoux reminds that the current enthusiasm for savings should not detract from the much more important task of developing programmes which really help people increase incomes.

(Please refer to annexes for complete discussion.)

➤ Savings Mobilization Seminar in Santa Cruz, Bolivia

The above mentioned seminar which was held in spring led to an interesting exchange on the question, how to meet the need of the rural population in savings. At least in Bolivia, according to one participant it is much easier to "go rural" for credit-only NGOs which do not

need a license from the supervisory organisation than for those offering saving services. However, this does not necessarily mean that institutions with problematic governance structures and without any owners with capital at stake should be allowed to start taking deposits. Therefore the writer suggests thinking again about promoting savings and credit cooperatives. Hege Gulli from Norway, at present conducting a field study in Bolivia, reminds that the MFI industry is still relatively young and must be given a chance to expand to rural areas. He observes a rather encouraging development in the country in this regard.

➤ **Criteria for Micro-credit institutions**

Michael Skully from Monash University in Australia gives an overview on the differences between micro-credit and micro-finance institutions with regard to purpose, functions and ownership/control. (See enclosed mail.)

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