

DEVFINANCE

Discussion list on development finance of the Ohio State University

Quarterly Review¹

January to March 2002

General Information

➤ **NEW: Technical resource website launched by Freedom from Hunger**

On January 25, Freedom from Hunger launched www.ffhtechnical.org, a site that focuses on the lessons Freedom from Hunger has learned from more than a decade's experience implementing, expanding and evaluating its own integrated service, Credit with Education.

The Web site, called the Technical Resource Site, is distinctly different from Freedom from Hunger's mainstream site because it meets the needs of practitioners, researchers and other professionals who want to learn more about the organization's methodology and research.

Freedom from Hunger hopes the Technical Resource site will be useful for a range of professionals looking for specific technical information. Please contact

programs@freefromhunger.org with your questions, comments and suggestions for the new site.

➤ **GTZ guidelines on impact monitoring and assessment**

Hayder Al-Bagdadi from GTZ has drawn the attention to a recently published GTZ study with the title "Guidelines for Impact Monitoring & Assessment in Micro finance Programmes".

In an approach to include the "forgotten half" of impact measurement, namely micro finance clients, into analysis, Birgit Schäfer developed guidelines for impact monitoring and assessment aiming to bridge the above mentioned gap. They are addressed to micro finance practitioners as they consider options and limitations in their practical application.

You can download the document free of charge at <http://www.gtz.de/wbf/fse/fsewirkungsmonitoring.htm>.

We also recommend you to read the review of the newly emerged discussion among list participants about the pros and cons of impact studies in the part *Subjects of interest*.

➤ **WOCCU's Savings Best Practices Project**

The World Council of Credit Unions, Inc. (WOCCU) launched its Savings Best Practices project in 2000 to share lessons learned from the savings mobilization experiences of Latin American credit unions with all MFIs interested in expanding or initiating savings services.

The Savings Best Practices project hosts conferences that are open to the public. They bring credit unions together with other MFIs to enable them to share lessons learned and participate in workshops that provide training in the use of key savings marketing and management tools.

For further information about the WOCCU Savings Best Practices project or upcoming conferences, either visit the WOCCU website at <http://www.woccu.org/> or contact Janette Klaehn, project manager, at <mailto:jklaehn@woccu.org>. Information on the website is in both Spanish and English.

➤ **CGAP and UNCTAD plan a Virtual Micro Finance Market (VMM)**

Frank Grozel from UNCTAD and Xavier Reille from CGAP have announced that a letter of intent has been signed to launch the Virtual Micro finance Market (VMM), a comprehensive web based service to link investors, donors and MFIs worldwide.

CGAP and UNCTAD envision the VMM as a one-stop shop to obtain information on the micro finance market. On the demand side, this will include financial and outreach information for all reporting MFIs, key performance indicators, and social impact. It will also provide, on the supply side, updated information on MFI investors and

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.

apex bodies, including their selection criteria, financial instruments, and performance indicators. The latest demo of the VMM is available at <http://www.vmm.dpn.ch/>. Devfinance list participants are kindly invited to give their feedback.

➤ **Networks selected for SEEP's technical assistance and action research project TAARP**

In November 2001, SEEP's Network Development Support program (NDS) launched a new initiative entitled the Technical Assistance and Action Research Project (TAARP) to strengthen the capacity of the national micro finance networks while at the same time disseminating promising practices and useful lessons learned to the wider micro finance community of networks.

Now ten networks have been selected to participate in the TAARP. SEEP looks forward to assisting these networks to: deliver demand-driven, fee-based services to MFI members; improve dissemination of micro finance best practices; improve monitoring & benchmarking of the MF industry; improve transparency in MFI financial performance; and represent their members' interest to the government and investors.

The ten selected networks are:

- Association of Ethiopian Micro finance Institutions (AEMFI)-Ethiopia;
- Association of Micro finance Institutions of Uganda (AMFIU)-Uganda;
- Association Professionnelle des Institutions Financieres (APIFM)-Madagascar;
- Azerbaijan Micro finance Association (AMFA)-Azerbaijan;
- Centre for Micro finance (CMF)-Nepal;
- Ghana Micro finance Institutions Network (GHAMFIN)-Ghana;
- Micro finance Council of the Philippines, Inc. (MCPI)-Philippines;
- Pakistan Micro finance Network (PMN)-Pakistan;
- Red de Instituciones de Micro finanzas de Guatemala (REDIMIF)-Guatemala;
- Red Financiera Rural (RFR)-Ecuador.

➤ **Open letter from Alex Counts, President of Grameen Foundation USA**

Asif Dowla has posted on behalf of Alex Counts an open letter, in which the president of Grameen Foundation USA addresses the micro finance

community to share some thoughts on the topic of transparency and industry standards. In his opinion, "the trends towards greater transparency and the adoption of industry standards are good ones, but they are not without risks and paradoxes, particularly since they are, in my mind, being applied in a fairly narrow sense and being effectively enforced by a small group of institutions."

If you are interested in getting to know why he suggests broadening the definition of industry standards or you would even like to critique it, please read the enclosed mail.

Courses and seminars

➤ **Micro credit summit + 5 update**

The Micro credit Summit +5 will be held November 10-13, 2002 in New York City. More than 3,000 delegates from 140 countries are expected to attend including heads of state and government. You may now register online at: <http://www.microcreditsummit.org/plus5>.

You can obtain application forms from the Micro credit Summit Campaign web site at <http://www.microcreditsummit.org/plus5/asform.html>.

Publications

➤ **Quarterly review of Epargne Sans Frontière**

The last issue of the quarterly review "Techniques Financières et Développement", published by Epargne Sans Frontière, is now available (in French only).

➤ **Post-conflict Research Project**

Isabelle Kidney, Micro finance Advisor from Concern Worldwide has informed about the Concern Worldwide and the Springfield Centre's Post-Conflict Micro finance (PCM) Research Project aiming at improving the awareness, skills and knowledge available to implement successful post conflict micro finance projects for the poor. This is being achieved through field research and through creating, piloting and disseminating principles and tools to guide the implementation of micro finance in post conflict situations. You are

kindly invited to visit the website at <http://www.postconflictmicrofinance.org/> for newsletters and field research produced to date. Please contact: <mailto:isabelle.kidney@concern.ie>, for different documents, newsletters and tools relating to post conflict micro finance in due course.

➤ **Book review by Richard Rosenberg**

A review of a book that might interest some DFNers has been provided by R. Rosenberg from CGAP: Building Institutional Capacity: The Story of PRODEM, 1987--2000, by Cheryl Frankiewicz (Calmeadow; 170 pp.). Some extracts (please look for the entire review at the enclosed mail):

"Cheryl Frankiewicz's new book on PRODEM demonstrates that there is plenty more to say. This book is not only informative, but very useful as well. When one is intensely focused on an MFI's operational issues, there is a strong temptation to assume that five years from now the institution will look pretty much like it does today, only bigger. This recounting of a very eventful fourteen-year evolution is a good antidote to that dangerous assumption."

The book is available for US\$12.00 from Pact Publications, 1200 18th Street NW Suite 350, Washington DC 20036 USA, Tel (202) 466-5666, Fax (202) 466-5669, e-mail <mailto:books@pacthq.org>. Further description of the book can be found on Pact's web site: http://www.pactpub.com/item.asp?prod_cd=CAL014

➤ **Updated versions of AIMS impact manual in English, Spanish and French**

The AIMS Project would like to announce the recently updated English, Spanish and French language versions of LEARNING FROM CLIENTS: ASSESSMENT TOOLS FOR MICROFINANCE PRACTITIONERS, prepared by the SEEP Network in collaboration with their global partners and with support from the AIMS Project. How to obtain the manual: Electronic copies are available for free at: English:

<http://www.seepnetwork.org/english-aims.html>

Spanish

<http://www.seepnetwork.org/spanish-aims.html>

French:

<http://www.seepnetwork.org/french-aims.html>

Please note that to view these documents you will need to pre-install Adobe Acrobat Reader Software (available for free at <http://www.adobe.com>).

Further information at: SEEP Network, 1875 Connecticut Ave, N.W. Washington, DC 20009 USA; Fax 202.884.8479, Phone 202.884.8392, e-mail: <mailto:seep@seepnetwork.org>.

➤ **Publications from the International Food Policy Research Institute**

David Myhre from Ford Foundation recommends the following publications from the International Food Policy Research Institute:

Research report: micro finance institutions for the poor in Bangladesh;

GROUP-BASED FINANCIAL INSTITUTIONS FOR THE RURAL POOR IN BANGLADESH: AN INSTITUTIONAL- AND HOUSEHOLD-LEVEL ANALYSIS. By Manfred Zeller, Manohar Sharma, Akhter U. Ahmed, and Shahidur Rashid.

Research Report 120 (100 pages), Abstract (2 pages). The report evaluates the effects of micro finance credit programs on household resource allocation, income generation, food and nonfood consumption, and the social attitudes and capacities of members.

To download or order at:

<http://www.ifpri.org/pubs/abstract/abstr120.htm>

➤ **MicroBanking Bulletin Issue No 7, November 2001**

CGAP's MicroBanking Standards Project has announced the publication of the seventh edition of the *MicroBanking Bulletin*. This issue is dedicated to the theme of Transparency and now available for free in hard copy or on the Internet. Please look for a comprehensive overview and direct links into articles at the enclosed mail or at www.microbanking-mbb.org. A limited number of copies are also available upon request.

Subjects of Interest

➤ **The cost of NGO transformation**

When NGOs wish to become micro finance institutions, they will have to bear a cost. This is nothing new; however, the volume of that cost must be reasonably outweighed by the sought benefits like e.g. greater access to funds and therefore clients' growth.

When assessing existing experiences like the one in Bolivia, one should however be careful with conclusions. Beth Rhyne from Accion International and Martina Wiedmeier-Pfister from GTZ have both tried to bring in some clarification, urged by information provided last December from the side of Richard Rosenberg (World Bank), who commented on an earlier paper by Ms Wiedmeier-Pfister on transformation costs. Thus he assessed the total cost run up to a minimum of USD 1 million, while the size of the new finance companies was limited – the legal minimum capital required was also about USD 1m -.

In order to avoid misunderstandings, Ms Wiedmeier-Pfister provided specific information on Caja Los Andes, FIE, Ecofuturo and PRODEM (Total portfolio, total assets, capital) and explored a bit on key questions like management time spent during the transformation process, reactions of regulatory authorities, growth of business and cost analysis. She concludes that overall costs of transformation may be reduced “if computer systems are large and modern enough to provide for the new requirements and new business opportunities (especially savings services)” – or if e.g. expensive feasibility studies could be bought at a cheaper price.

Didier Thys from Freedom from Hunger raises a great amount of associated questions, related to MFIs driving upmarket (e.g. BancoSol) or whether the transformed organization really attracts more commercial capital as it might substitute institutional deposits from social capital investors by capital borrowed from private commercial banks. His concern is the implications for the micro finance industry in the sense of “how the industry defines commercialisation with reference to capital markets and institutional models”.

As specific as promising seems to be the approach chosen by CCA, which is working now with different partners engaged in converting NGO style MF programs into member-owned cooperatives. The problems his organization encounters are:

- i) The transition from the (arguably more) "professional" management provided by NGO staff over to a more "amateur" member-based management model;
- ii) The distortive effects of a member-managed organization "inheriting" a large pool of external funds (as opposed to the more conventional credit

union model which is savings-driven from Day One);

iii) Likewise, the co-op inheriting a social change agenda from the NGO that cannot be reasonably sustained by a simple credit union; and

iv) How best to foster a sense of member-ownership over the organization (perhaps not wholly unrelated to points ii and iii).

Get informed about this interesting exchange regarding a topic that will certainly come up again in the future. (6 mails)

➤ **Smoke and mirrors of the micro debt industry**

Dale Adams has informed the devfinance participants that his motivation for “harping on remittances, deposits, informal finance and impact studies” has to be understood as an attempt “to introduce perspective into all the smoke and mirrors that accompanies the micro debt industry”.

What had happened? Another provocative mail posted by him in mid February tried to explain why particularly micro debt programs attracted impact analyses – in comparison to many other poverty alleviation programs. This time, however, the objections were even more harsh than during the discussion on this topic around a year ago (we reported in our review 2nd quarter 2001). Especially Linda Mayoux invested a lot of time to argue in favour of impact studies – under certain circumstances. Her reasoning is mainly based on the statement that the need to evaluate activities against originally set missions remains key for justifying the use of taxpayers’ money for global poverty elimination. At the same time, she provides a lot of interesting thinking and practical suggestions about how to make the studies more reliable and cost-effective.

Shombi Sharp very much supports her by saying that in his opinion, micro finance is not a development outcome in and of itself – so it seems appropriate to verify that it is really delivering the development value it is being attributed. Eve H. agrees; she poses the question, how would practitioners know whether they are helping or hurting, if nobody attempts to measure the impact of such programs? Yet, Adams does not calm down; he thinks that the disadvantages in no way compensate for the sought benefits of impact studies (what he called last year “systematically underestimating costs and inflating benefits, thus

misleading policymakers into thinking debt programs were more successful than they really are"). After what, Linda Mayoux becomes more serious and accuses him of "still missing the point" and just not being up to date regarding impact measurement efforts of other poverty alleviation programmes like e.g. water and sanitation projects. Michael Bruentrup suggests doing "IA (impact assessments, the author) in a modest way with a modest spirit on all types of programs". N. Srinivasan, one of the few supporters to Dale Adams during this discussion round, asks whether there were anyone "out there to make changes and adjustments to the programme based on the impacts"...

We highly recommend for those thinking about going into an impact assessment venture to read the enclosed mails. (4)

➤ **Remittances – one year later**

Triggered by a simple question posed by one of the participants, a whole discussion emerged again about remittances. This time, however, Dale Adams, last year among the sceptics about who could be involved into the remittances business, reported about an experience at a huge Mexican WalMart (a huge US retailer, the author) offering remittance services to shopping clients. He gave also interesting information gathered by IDB about the size of business being made on approximately US American 15bn USD annually by service providers: 3bn USD or 20%!

Valuable contributions from Dave Grace and Dave Richardson, both from WOCCU, which has begun over the last year in 120 credit unions in the US to offer remittance service. They told about their experience and surprise at how inexpensive it really is to send remittances. While Western Union as the most important service provider takes a minimum charge around 25 USD, WOCCU takes 10 USD on all remittances up to 1'500 USD, and the majority of volumes stays below 500 USD.

WOCCU also sees an enormous developmental potential for remittances, regarding the encouragement of competition for price dropping, the chance of winning individuals to enter the formal financial system and the multiplier effect of remittances for receiving economies.

Richardson points out with a certain irony: "If a financially-disciplined cooperative can recover its

costs, including capital formation, at a price lower than the competition, its operating ideology requires that the savings are passed along to its "clients", who just happen to be its owners. Western Union passes its profits to the deep pockets of their stockholders who have no need to send money to their poor relatives."

Look at the interesting article from Latin American Weekly providing a lot of useful facts on remittances in Latin America, kindly sent to the list by George Petty. Eric Nelson (World Bank) votes for a lot more research on this most important source of support – ways ahead of credit, according to a study by the USAID Eager project in the mid nineties, as he writes.

So Cerstin Sander might have been right by stating last year that "there exists clearly an under serviced market thus being an opportunity for a marriage of micro finance and money transfer." (3)

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