

**WOMEN'S WORLD BANKING
GLOBAL POLICY FORUM**

APRIL 1995

**THE MISSING LINKS:
FINANCIAL SYSTEMS THAT WORK
FOR THE MAJORITY**

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FOREWORD

In April 1995, fifty leaders of finance ministries, central banks, financial institutions, international development agencies, and Women's World Banking met in India to build actions that would open financial systems to the world's poor majority. Forty more leaders participated long distance in this process. The list of participants is provided at the end of this forward. The purpose of the WWB Global Policy Forum was to pull together financial leaders with the power to transform local and global financial systems in ways that will open access to millions of low income entrepreneurs. During the Policy Forum, leaders arrived at consensus on the approaches and actions needed, and committed to moving the recommendations into practice.

This Global Policy Forum was both the culmination and the beginning of a movement to transform development paradigms, policies and financial flows in favor of the world's poor majority. In January 1994, WWB convened a United Nations Expert Group on Transforming Financial Systems. Forty of the world's leading microfinance practitioners created a report and set of action recommendations. In September 1994, these recommendations were endorsed by the Donors Committees on Small and Medium Enterprises and Financial Sector Development, as guiding principles for funding. WWB's 1995 Global Policy Forum engaged public and private financial leaders in restructuring financial systems to work for the majority.

The paradigms, approaches and recommended actions outlined in this report represent a strong consensus among the world's financial leaders who participated, the world's leading microfinancing institutions, and the world's low income entrepreneurs.

I. THE CHALLENGE

Over 500 million of the world's economically active poor people run profitable micro and small businesses. Microentrepreneurs have shown that they repay market-based loans, and use the proceeds to increase their assets, their living standards and their roles in shaping societies. NGOs, other specialized financial institutions and some banks have shown that microlending can be a profitable business. Financial services to low income entrepreneurs may be the single most effective way to reduce poverty and achieve broad-based economic growth. Yet fewer than 2% of low income entrepreneurs and producers have access to financial services from sources other than money lenders. To fill this gap, policy makers need to move beyond the pendulum swings between structural adjustment and social expenditures. Economic participation of the bottom 50% needs to be placed front and center in the development agenda. Governments, financial intermediaries and funders need to adopt new paradigms and take on new roles in building financial systems that work for the majority.

II. HOW TO MEET THE CHALLENGE

If these challenges are to be met, all major actors need to share the objective of providing sound, responsive market-based financial services to the majority, in ways that are advantageous to both the clients and the institutions that serve them. The goal should be to provide access, not subsidies, to low income entrepreneurs. A wide range of retail-level financial intermediaries needs to be encouraged—not forced—to provide these financial services. Intermediaries receiving financial incentives and support should meet high incremental and absolute standards on financial performance, client reach and business practices. Those institutions that meet the

standards should have access to capitalization, loan funds, and effective capacity building support—not traditional project funding—to help organizations at different stages move to sustainable scales of operation. Such support should be structured as a catalyst and complement to savings and other domestic resource mobilization measures by retail institutions. Legal frameworks, second-tier institutions and financing arrangements that balance promotion and prudence will be needed to encourage the development of sound, responsive retail institutions that serve the majority.

III. ACTION RECOMMENDATIONS

The new approaches outlined in this report have specific action implications for each major set of actors. Section III of the Report contains detailed action recommendations on what governments, retail and second-tier intermediaries, and external funders each need to do if financial services are going to work for the millions of low income entrepreneurs that merit access to financial services. These action recommendations reflect the strong consensus reached by the forty leading microfinance practitioners who participated in the UN Expert Group on Transforming Financial Systems convened by WWB in 1994, and by the nearly 90 financial sector leaders that were direct and long distance participants in WWB's 1995 Global Policy Forum.

IV. BUILDING CHANGE PROCESSES TOGETHER

Participants in the Global Policy Forum are committed to using their leadership positions to open financial systems to low income entrepreneurs, adopting the approaches outlined in this report. Participants asked Women's World Banking to disseminate this report to all leading public and private sector decision-makers in the world. We invite other financial leaders to join this process.

Participants decided that the Policy Forum Report will be used to build change processes in other major forums, including: at the Meetings and Conference of the Donors Committees on Small and Medium Enterprises, and Financial Sector Development, in June 1995; at a seminar of finance ministers, central bank governors and leaders of private financial institutions at the October 1995 Annual Meetings of the IMF and the World Bank; and at the Fourth UN World Conference on Women in September 1995. Participants strongly recommended that WWB hold this Global Policy Forum every year or two. Future meetings can treat the measures needed to open low income entrepreneurs' access to know-how and organizing, which participants felt can be as important as access to money, in helping low income entrepreneurs move beyond survival levels.

Participants plan to adapt the approaches, standards and support modalities to their own countries and institutions. Participants will support the build-up of innovative, effective second-tier institutions, at national and global levels. Participants will send WWB information on progress, results and lessons learned. WWB will disseminate the results achieved by Policy Forum participants and other leaders.

The Policy Forum succeeded because the participants knew that to transform financial systems we need to transform ourselves. Financial leaders saw how, in building market-based financial systems that work for the majority, many objectives can be met at once. Dr. Manmohan Singh,

India's Minister of Finance, made the Policy Forum a place where leaders were open, listening to each other and building change processes together. Low income women entrepreneurs of SEWA Bank and FWWB/India made sure that we never forgot who the real leaders and change agents are. We invite all to use this report as an instrument in transforming our institutions, our economies and ourselves.

Nancy Barry
President, Women's World Banking

Ela Bhatt
Chair, Women's World Banking

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¹ Brief biographies of direct and long distance participants are provided in the Annex.

- refers to direct participants at the WWB Global Policy Forum in India. All direct participants have endorsed this Policy Forum paper.
- refers to individuals who are long distance participants in the WWB Global Policy Forum who have endorsed this Policy Forum paper.

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THE MISSING LINKS: FINANCIAL SYSTEMS THAT WORK FOR THE MAJORITY

I. THE CHALLENGE

Financial services to low income entrepreneurs and producers may well be the single most effective means to tackle poverty and create broad-based economic growth. Financial services give poor people the means to increase their assets, their living standards, and their roles in shaping society.

Most of the world's people are poor, and the majority of the world's poor are women. Most poor people are self-employed or work in micro and small businesses. Growth in formal sector employment is unlikely to change this pattern over the next ten years. If poverty is to be reduced, and if the economic potential of the majority is to be realized, the economic activities of poor people need to be financed.

Low income entrepreneurs and producers, when given access to responsive financial services at market rates, repay their loans and use the proceeds to increase their income and assets. Increased incomes, particularly in the hands of women, are typically invested in the health, education and housing of the family, creating substantial new demand for goods and services. Low income entrepreneurs use savings to build reliable social safety nets for their firms and families.

Experience demonstrates that NGOs, specialized financial institutions and commercial banks can provide responsive financial services to low income entrepreneurs and producers in a profitable manner, at rates that cover the high costs of making very small loans.

At present, over 500 million of the world's economically active people run micro and small enterprises. And yet, fewer than 10 million of their enterprises have access to financial services from sources other than moneylenders. In most countries, banks provide next to no financing to microenterprises and the self-employed. Non-traditional specialized intermediaries that focus on financing low income entrepreneurs reach under 2% of this potential market.

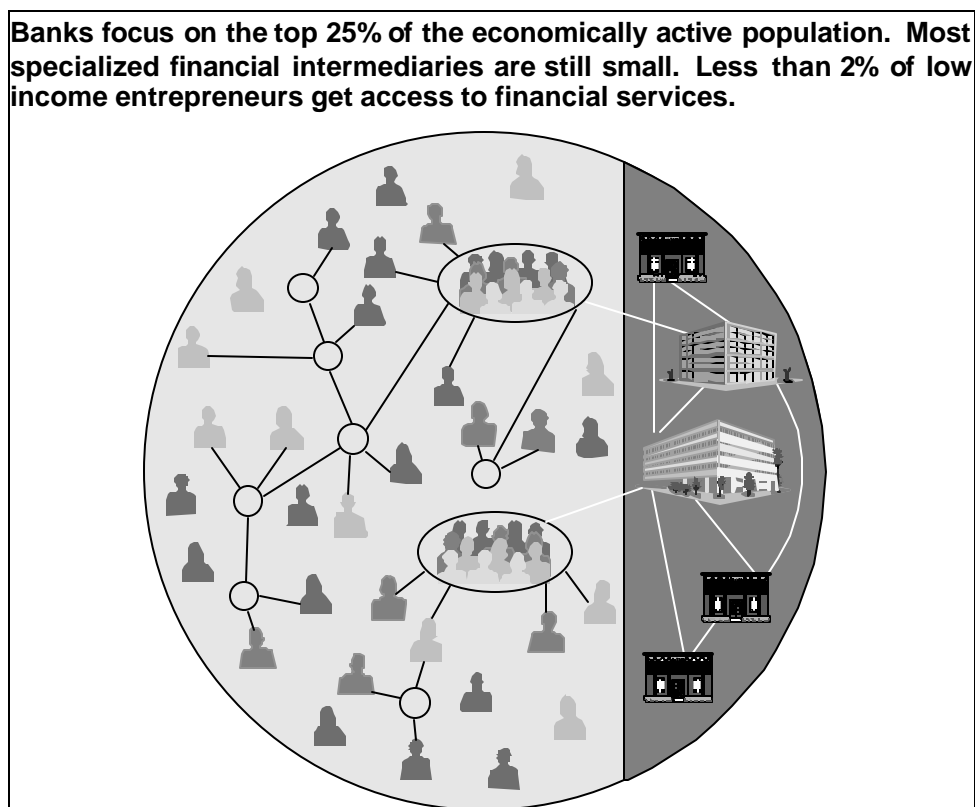


Chart 1

Why is there such a huge gap between supply and demand for financial services by the majority of enterprises, when low income entrepreneurs have high repayment rates, when these entrepreneurs have shown their willingness and ability to pay higher than market interest rates to gain access, and when the most successful intermediaries have shown that lending to this group can be profitable once volumes are reached?

First, the productive sectors have been overlooked in the battles between structural adjustment and social sector expenditure paradigms for development. It is now clear that greater economic participation by the poor majority is not going to come by combining the present menu of macro-financial reforms with higher public sector expenditures on health and education. Decision makers must place a much greater emphasis on expanding the income and assets of low income people, by measures that open low income entrepreneurs' access to finance, information and markets. Finance and enterprise systems that serve the majority can be the pivotal links and the levers, enabling the poor to share in economic growth and giving poor people the means to use social services.

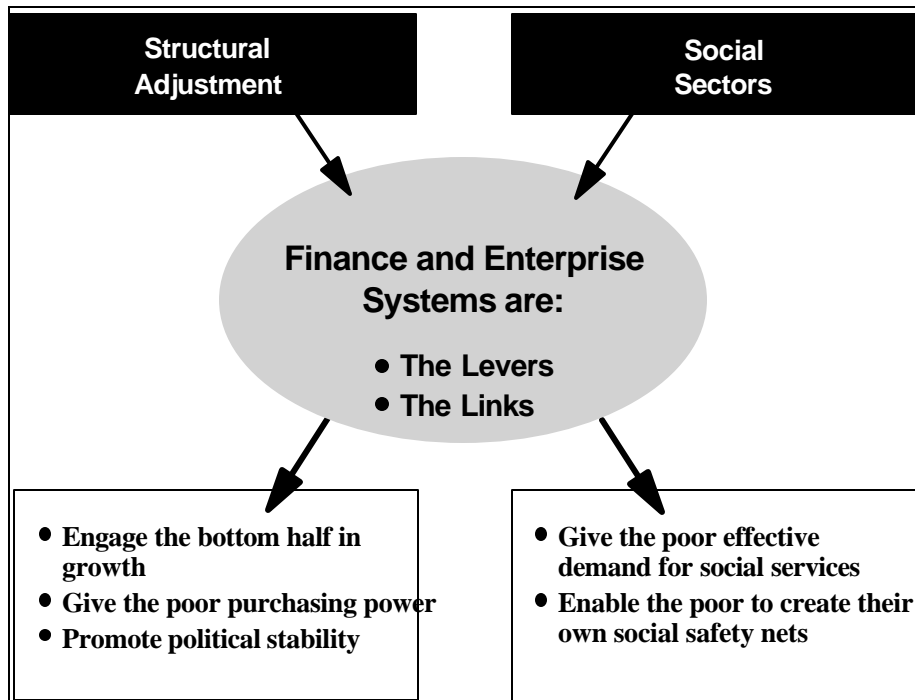


Chart 2

Experience demonstrates that macroeconomic and financial sector reforms are of critical importance in reducing inflation, stopping the financial drains of inefficient public sector expenditures, liberalizing interest rates, responding to the globalization of markets, and creating an open environment for non-government actors in the economy. Yet, macro and financial sector reforms, while necessary, are grossly inadequate in providing the means by which the bottom 50% to 70% of the economically active population can participate in economic growth and social development. Macro reforms in financial systems need to be complemented by measures that encourage the institutions, instruments, relationships and financing arrangements geared to providing sound, responsive financial services to the majority of enterprises that have not had access.

Second, the huge market failure in the supply of financial services to low income entrepreneurs is rooted in governments, financial intermediaries and funders acting from assumptions and in ways that unintentionally undermine the build-up of sound financial systems that serve the majority.

The old paradigms have yielded largely unsuccessful programs by governments, limited credit programs by NGOs, and financial systems that do not work for low income entrepreneurs and producers. By adopting new paradigms and by taking on productive roles, governments, funders, and financial intermediaries can work to build financial systems that serve this majority.

New Paradigms, Productive Roles and Actions

	Old Paradigms and Approaches	New Paradigms, Productive Roles and Actions
Governments	<ul style="list-style-type: none"> • Lend directly • Dictate subsidized interest rates • Force intermediaries to lend or • Think macro reforms are enough 	<ul style="list-style-type: none"> • Encourage autonomous, second-tier institutions • Liberalize interest rates • Create regulations and incentives that encourage a range of intermediaries
Funders	<ul style="list-style-type: none"> • See microenterprise as social welfare • Design, implement "projects" • Forget the productive sectors or • Accept poor performance 	<ul style="list-style-type: none"> • Support the development of national financial systems that work for the majority • Build appropriate financial instruments and vehicles that respond to large numbers of small intermediaries at different stages of development • Support retail institutions that meet agreed standards
Banks	<ul style="list-style-type: none"> • Do not lend to small and micro, since easier profits exist elsewhere • Ignore or manipulate government controls, targeting 	<ul style="list-style-type: none"> • See market opportunities • Make changes in organization, systems and products to reduce costs and risks of microlending • Establish bank-NGO-client credit lines
NGOs, Specialized Financial Intermediaries	<ul style="list-style-type: none"> • Accept donor or government fads • Fall into social welfare approaches • Remain satisfied with small direct reach 	<ul style="list-style-type: none"> • Build reach and role as financial intermediaries • Build self-sustaining, self-determined organizations • Make changes in organization and systems to meet performance and reach standards • Use practitioner networks to build mutual accountability, standards, lateral learning, and efficient financing mechanisms

Chart 3

If 10% of all low income entrepreneurs are to gain access to institutional finance by the year 2005, and 30% by 2025, financial systems will need to be transformed. Financial intermediaries' total portfolios in microloans, now about US\$2.5 billion² and Finance and the International Coalition on Women and Credit, both led by WWB., would need to be about US\$12.5 billion by 2005, and about US\$90 billion by 2025, serving about 180 million low income entrepreneurs³. These rapid increases in lending levels are reasonable, and reflect growth rates that are lower than actual growth rates in the last five years. The main challenges will be in expanding the institutional capacity of retail intermediaries committed to providing financial services to low income entrepreneurs. Bilaterals, multilaterals and governments will have major roles in supporting the capacity build-up needed in reaching 10%, since most specialized institutions that serve low income entrepreneurs are relatively young, and since most commercial banks and other large private intermediaries are only just beginning to provide resources for this segment. Early in the next century, local and international financial markets can be expected to provide most of the debt and equity needed once a set of financially sound retail-level intermediaries are operating at a reasonable scale.

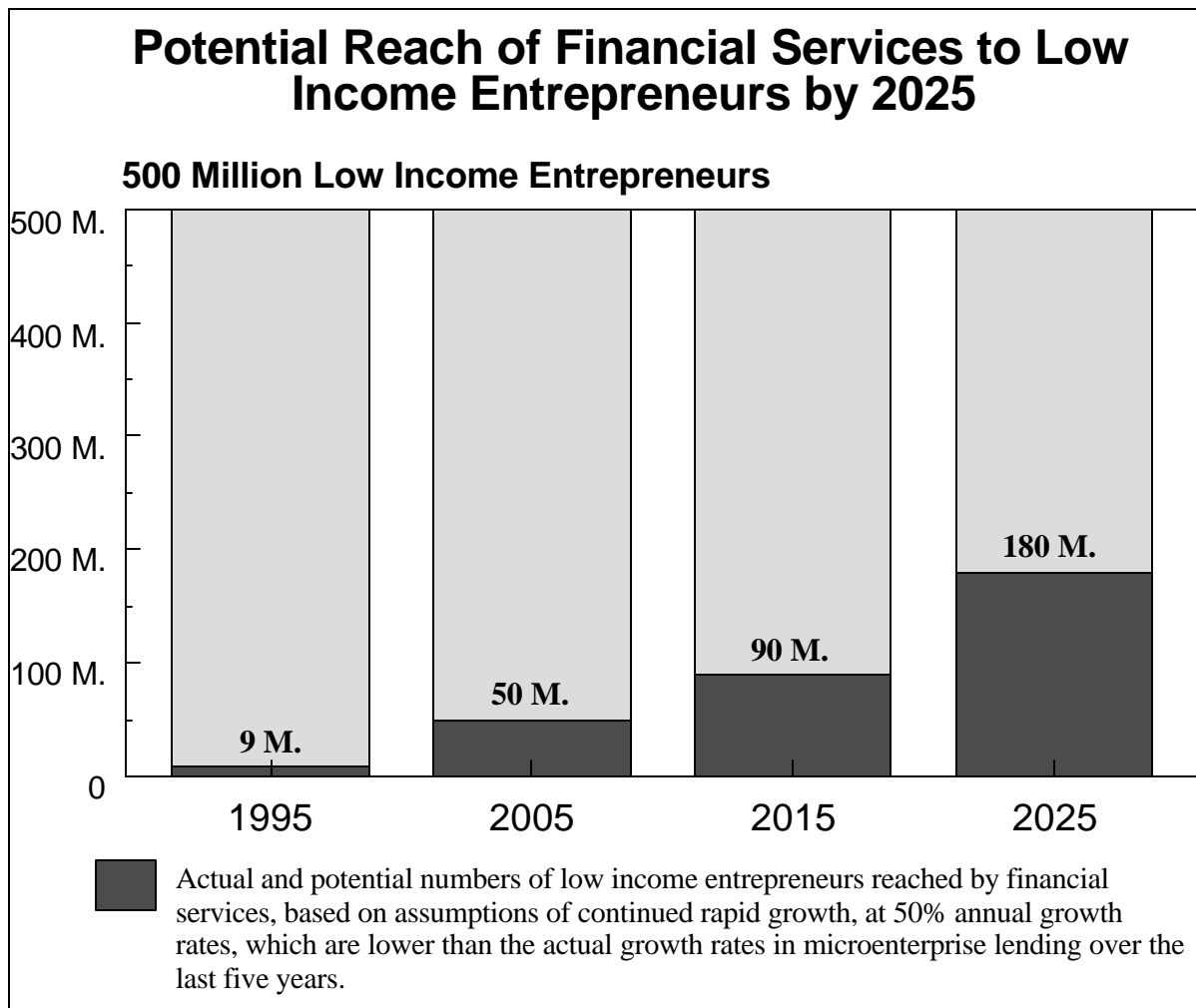


Chart 4

²Sources: leading practitioners that are members of the United Nations Expert Group on Women

³Assuming 50% annual growth, which is lower than present average growth rates.

II. HOW TO MEET THE CHALLENGE

If financial systems are to be transformed to work for the majority, major actors need to adopt the following principles and practices:

- Low income entrepreneurs and producers can be excellent clients of financial services, willing and able to repay at the high interest rates needed to cover the costs of providing responsive financial services.
- A wide range of retail intermediaries—including commercial banks, specialized financial intermediaries, NGOs, cooperatives, credit unions and grassroots savings organizations—should be encouraged, not forced, to provide these financial services.
- To receive outside support from any source—governments, financial intermediaries, external funders—the retail institution would need to meet incremental and absolute standards of performance, client reach, and business practices.
- Institutions of all sizes, shapes and stages of development that meet the standards should be actively encouraged, with access to capitalization, loan funds and institutional capacity building support, to enable these institutions to grow to significant scale.
- Flexible, responsive second-tier institutions and legal frameworks that balance promotion and prudence are important in encouraging the development of sound, responsive retail intermediaries that serve low income entrepreneurs.

Building Financial Systems that Work for the Majority		
Encourage a Range of Sound, Responsive Intermediaries	Adopt Standards on Performance, Client Reach and Business Practices	Provide Appropriate Support Modalities
<ul style="list-style-type: none"> • Commercial Banks • Specialized Financial Intermediaries • Business NGOs • Cooperatives • Credit Unions • Grass Roots Saving Groups <p style="text-align: center; margin-top: 20px;">that meet standards of performance and reach</p>	<p>Institutions should either meet the standards or provide credible plans and demonstrate clear progress toward meeting the standards:</p> <p>Financial Indicators:</p> <ul style="list-style-type: none"> • Excellent on-time repayments, e.g., 90% to 95% of principal due • Loans to clients at unsubsidized rates • Efficient costs per unit lent • Number of loans per credit officer • Operating and financial self-sufficiency <p>Reach of Client Group:</p> <ul style="list-style-type: none"> • Vision, mission, leadership - demonstrated commitment to reach low income entrepreneurs • Quick, easy access to small, short-term loans • Savings mobilization arrangements • Volume - numbers of loans, portfolio amount • Structures for client participation <p>Business Practices:</p> <ul style="list-style-type: none"> • Sound financial, credit and management information systems • Sound, growing financial base • Financial self-determination • Sound governance and accountability structures • Business plan, financial projections 	<p>Depending on the retail institution's stage of development, structure and performance, institutions that meet standards need to be able to mobilize:</p> <ul style="list-style-type: none"> • Capitalization • Loan funds • Institutional development support • Savings from clients and the community

Chart 5

A. BUILD DYNAMIC PERFORMANCE STANDARDS

A key to successful support of financial intermediaries serving low income entrepreneurs and producers is the establishment of agreed standards on:

- financial and operating performance.
- client reach and impact.
- business practices, including governance and accountability structures.

Chart 5 provides the key dimensions for these standards. In devising systems and services that support the build-up of retail intermediaries serving microentrepreneurs, it is important to establish “best practice” standards on these key dimensions as a basis for comparison for intermediaries at different stages of development, within and across regions.

Clearly, small and young institutions will not be able to meet all performance and client reach standards at the outset and in the early stages of operations. Even older and larger institutions that were not required to meet such standards as a condition for support may have difficulty meeting the standards immediately. Building efficiency and effectiveness as a microfinancing intermediary is a continuous process, and some achievements are possible only once an institution has achieved significant scale in its operations. For example, excellent repayments can and should be expected even for small and young institutions, while it will take most intermediaries five to seven years to fully cover operating and financing costs with the interest earnings from lending operations.

The support system should establish different thresholds as the basis for accessing different types and levels of support. For example, weaker institutions may be made eligible for small seed funding and institutional development support, while access to capitalization, refinance, partial guarantee arrangements, and other financial incentives would be available only to institutions with excellent repayments and a clear path to operating and financial self-sufficiency.

Eligibility criteria, standards, measures, and support modalities will need to be adapted and made specific to respond to: (a) regional and country conditions, norms, and accounting practices; (b) the stage of development of retail-level institutions in the country; and (c) the types and levels of support to be provided. At the same time, it is important that all actors—funders, second-tier institutions, retail intermediaries and clients—understand, endorse and adopt the same principles, objectives, and bases for determining best practice and accessing resources. Consensus on these objectives, principles and standards is key if sound responsive financial systems are to grow to serve the hundreds of millions of low income entrepreneurs that merit access to financial services.

B. PROVIDE ACCESS NOT SUBSIDIES TO CLIENTS

One of the most controversial and important issues in building coherent approaches to microenterprise lending is whether or not the loans to low income entrepreneurs and producers should be subsidized. Many international funders and governments operate from the presumption that microenterprise clients, being poor, cannot afford to pay the high real costs of making microloans. Since poverty alleviation and asset creation among the poor is the objective of such lending, a first instinct often is to subsidize loans to poor people.

Experience around the world has demonstrated that microentrepreneurs do not need subsidies and that microlenders cannot afford to subsidize borrowers. Low income entrepreneurs want rapid and continued access to financial services, rather than subsidies. Most self-employed poor people and microentrepreneurs borrow for short-term working capital needs, and the returns from their economic activities normally are sufficient to pay high interest rates for loans, and still make a profit. Many low income borrowers will utilize loans for a mix of enterprise and household needs. These entrepreneurs have learned to manage this mix and maintain high repayments with unsubsidized rates.

Most microenterprise clients see the "market interest rate" as the rate charged by the money lender or curb market, which is often double the interest rate charged by microlending institutions. Low income women operating in savings and credit groups charge themselves interest rates substantially higher than the rates charged in controlled, subsidized formal financial systems. Often, when interest rates are subsidized, those with political clout are the ones to gain access, and few from the intended target group actually benefit. Subsidies often send the signal to borrowers that the money comes from government or donors who regard the poor as objects of charity, and borrowers see this as a signal not to repay. Few low income entrepreneurs end up benefiting from subsidized programs, because these programs fail before they reach significant numbers.

Efficient financial intermediaries need to charge high rates to cover the costs of making small loans. Microlenders need to reduce the costs of this lending by improving delivery systems and establishing large lending volumes, but with existing lending technologies, the costs will be higher for making small loans. Microenterprise financial intermediaries have learned that they cannot depend on governments and donors as reliable, long-term sources of subsidized funding. Commercial banks that are forced to make small loans at rates that do not allow them to cover their costs and make some profit will devise ways to circumvent mandatory allocations, or will lend and then ask government to cover losses by claiming on loan guarantees. Commercial banks will not commit to microlending unless they see it as profitable. Specialized financial intermediaries have learned to build full financing and operating costs into their interest rates to clients, to establish the basis for sustainable services.

Some services to microenterprises and low income households do not lend themselves to full cost recovery, or market-based loans. Organizing, training, and business development services need to be treated separately from the financial service transaction, with different funding and cost recovery arrangements. Often these business development services will be provided by the same institution that makes the loans. It is important that the cost accounting and management arrangements for financial and non-financial business development services be clearly demarcated.

Also, some institutions that have provided social services now see the importance of credit to the poor. Only a few of these multipurpose, social welfare organizations have been successful in providing finance and business services, which require very different attitudes, competencies and systems. If multipurpose social welfare organizations do engage in credit, finance and business development services should be managed and monitored separately from social services.

C. SUPPORT INSTITUTIONS NOT PROJECTS

The single most important constraint to expanding low income entrepreneurs' access to financial services is the limited capacity of retail institutions. All actors need to find effective means to support the build-up of local intermediaries that have the commitment and competence to lend to micro and small businesses.

A core problem in building solid microenterprise financial services is that, while subsidies to borrowers are neither needed nor helpful, the institutions providing the financial services do need to be subsidized until they reach break-even lending volumes. While the administrative costs for an efficient microlender operating at scale will normally be .10 to .20 per unit of currency lent, it may cost the same lender a dollar to lend a dollar when starting microenterprise lending operations. The experience of leading practitioners indicates that it will take an efficient lender three to five years to cover operating costs, including loan loss provisioning, and five to seven years to build the volumes needed to cover commercial financing and operating costs. These periods assume that, from the outset, the lender is charging borrowers effective interest rates that would cover an efficient lender's operating costs, loan loss provisioning, full opportunity cost of capital, inflation, and profit margin.

If a substantial number of financial intermediaries are to be induced to move to the significant volumes in microfinancing that are needed to make these programs sustainable, early operations will need to be subsidized. The types of subsidies or incentives which will be attractive to commercial banks will differ from those for specialized financial intermediaries.

Commercial banks will need to undergo significant changes in attitudes, organizations and lending technologies if they are going to play major roles. Most conventional financial intermediaries are reluctant to undertake the front loaded investments and short-term operating losses that need to be incurred as volumes are built to reach profitable levels. The large financial resources, widespread branch structures and financial service capabilities of commercial banks make their participation in the small loan market highly desirable. Recent innovations in loan products and technologies could dramatically reduce the costs and increase the attractiveness of direct bank lending to small and microenterprises. Some commercial banks have seen the opportunities. However, most banks are likely to move into financing small and not microenterprises. Many will choose to act as wholesalers of microloans, providing credit lines to specialized intermediaries that have the commitment and competencies to make loans of under US\$5,000.

Those commercial banks that see microfinance as a potentially profitable market will make a significant commitment to this sector only if, at early stages, they: (a) get access to funds at lower than their average costs of funds; (b) get some guarantee coverage; (c) are able to charge interest rates that enable a profit once volumes are reached; and (d) get access to capacity building and product development inputs.

To date, NGOs and other specialized financial intermediaries have been the main sources of innovation and client reach in microlending. However, most NGOs and specialized institutions are still small in relation to the minimum lending volumes needed to cover operating and financial costs, many are weak in institutional capacity, and most still do not see their potential as major actors in financial systems. NGOs and other specialized financial intermediaries, which are not in the position to cross-subsidize microenterprise lending while they build lending volumes, will need some form of institutional subsidy for a period of five to seven years. Historically, these subsidies have been provided by donors in the form of operating grants, against highly specific project expenditure budgets. Often, this funding has not been linked to standards of financial performance and reach. Specialized institutions need capitalization and low cost, long-term loan funds, preferably repayable in local currency, while they expand their volumes to sustainable levels.

As financial institutions expand their microfinancing operations, they will need access to effective capacity building services. Retail institutions need to build competence in business planning, financial management systems, loan and savings methods, and accountability structures. The main means will be practitioner training, institution-specific technical services, and benchmarking against best practice. The main sources of institutional development support will be local and international practitioner networks and firms, using lateral learning among practitioners as a primary means to build institutional capacity.

D. EMPHASIZE SAVINGS AND DOMESTIC RESOURCE MOBILIZATION

In building strategies for sustainable institutional development, all financial intermediaries serving microentrepreneurs should be positioning themselves to become actors in the local financial system, with growing capabilities to mobilize financial resources locally as the primary sources for loan funds. This local resource mobilization can come from a combination of:

- Savings mobilization from microenterprise borrowers, other people in the community, and depositors at large.
- Borrowing on commercial terms from the local financial market e.g., development banks, commercial banks, non-bank financial institutions, and corporations.
- Issuing of debt instruments to raise funds.
- Issuing of equity.

One of the most attractive means to mobilize domestic resources can be to take deposits. There are several advantages to savings mobilization for microenterprise clients and the financial institutions that serve them:

- Convenient savings mechanisms give low income entrepreneurs the capacity to manage fluctuating liquidity requirements, some control over their financial future, and a buffer against unforeseen circumstances in the enterprise or family.
- A history of regular savings by low income clients, and the cash they are able to accumulate, can serve as a valid substitute for traditional collateral requirements in accessing loans.
- For the lending institution, savings mobilization from clients, and particularly from the larger public, can create a significant source of new funds for lending.
- The interest rate paid to depositors normally is lower than the cost of funds available from the local financial system, providing the institution and its borrowers with funds at lower average costs.
- Savings mobilization makes lenders accountable to savers for high loan repayments and solid financial performance, with fiduciary responsibility to local stakeholders acting as a strong basis for self-determined and sustainable institutional development.

All financial intermediaries that lend to microenterprises should be encouraged to build savings mobilization arrangements for their clients, either by providing these services directly, or by making arrangements with another financial institution. Banking regulations need to be adapted to encourage those microfinancing institutions with the capabilities to legally mobilize savings from clients or the general public, by building appropriate regulatory and supervision arrangements.

At the same time, it is important to recognize that not all institutions that are good lenders will be good at savings mobilization. Savings mobilization, particularly from the larger public is a costly activity. Savings mobilization is a different business from lending, requiring different structures, systems and

competencies. Many of the most successful microlenders developed major lending operations before developing savings mobilization services of any scale. Institutions that are allowed to mobilize savings from the public should meet high standards regarding their accountability, structures, savings systems, and financial performance. Specialized financial intermediaries can mobilize equity, issue debt instruments, and borrow from banks as legitimate, long-term means to mobilize funds for lending. These financing strategies are used by most leasing companies, venture capital firms and private corporations.

All retail financial intermediaries need to have strategies for creating a local financing base over time, to guard against dependence on external grant or low cost loan financing as a permanent basis for growth. Financial intermediaries that serve microentrepreneurs need to view external grant and soft loan financing as complements and catalysts for domestic resource mobilization. These external infusions are important in the start-up and build-up stages, until the retail intermediary has achieved the scale and efficiency to attract domestic resources from the general public or from institutional sources.

E. PROVIDE FINANCING THAT FITS THE INSTITUTION

If governments and external funders are to help build financial institutions that serve the majority, they will need to adopt new funding approaches, providing and promoting:

- Small amounts of grant funds for promising new entrants to finance start-up operating costs and loan portfolios over a short period, of about two years. Such support should be provided on the basis of a clear business plan, participation agreement and set of performance standards to be met in the period.
- Capitalization for institutions that meet performance standards. This grant equity capital is for use by the retail institution to invest to generate income while the loan portfolio builds, to lend and build the loan portfolio, and to use as leverage in mobilizing funds from the local banking system. Such grant capital infusions can be made over a three to five year period, in tranches, against strong business plans and continued compliance with performance standards. Normally, amounts of capitalization would be US\$500,000 to US\$2 million, to enable the financial intermediary to bring the portfolio to a self-sustaining size.
- Access to refinance from development banks and other second-tier intermediaries. The ultimate objective would be to set refinance rates at the average cost of capital for financial institutions. A small transparent subsidy of 1% to 2% may be warranted during the first three to five years, to induce financial intermediaries to undertake the actions needed to make micro and small enterprise lending profitable.
- Partial loan guarantees to encourage the build-up of leveraged credit lines by local banks to specialized financial intermediaries.
- Equity infusions from private and official sources for the larger and more established microfinancing intermediaries.

Once an institution has reached the size and efficiency to cover costs and manage fully commercial sources, it will be able to access international commercial funds directly and through networks.

A few institutions have moved more rapidly to fully sustainable operations by mobilizing savings, becoming formal financial institutions quickly, or by pricing the loans at rates which allow rapid achievement of financial self-sufficiency. However, the number of such institutions is small and the patterns described here are typical of most intermediaries.

In the early stages of each retail institution's development, capitalization grants, soft loans, and institutional development support provided under rigorous performance terms and conditions, will be key. Once lending operations grow beyond US\$500,000 in average microloan portfolios, access to loan funds from the local banking system and patient equity will become important. Only once institutions reach loan portfolios of roughly US\$5 or US\$10 million, with performance standards maintained, will they become attractive candidates for foreign commercial financing.

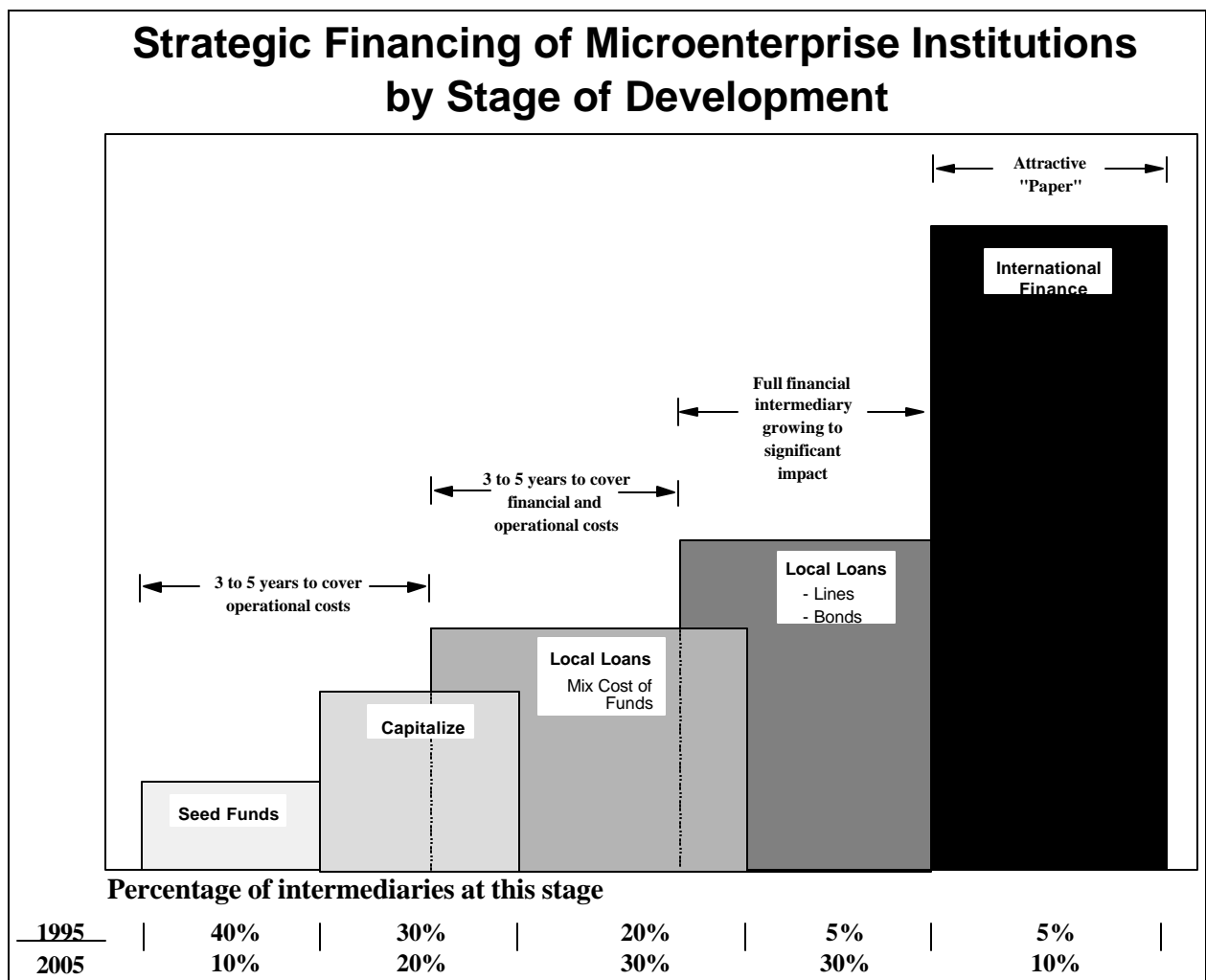


Chart 6

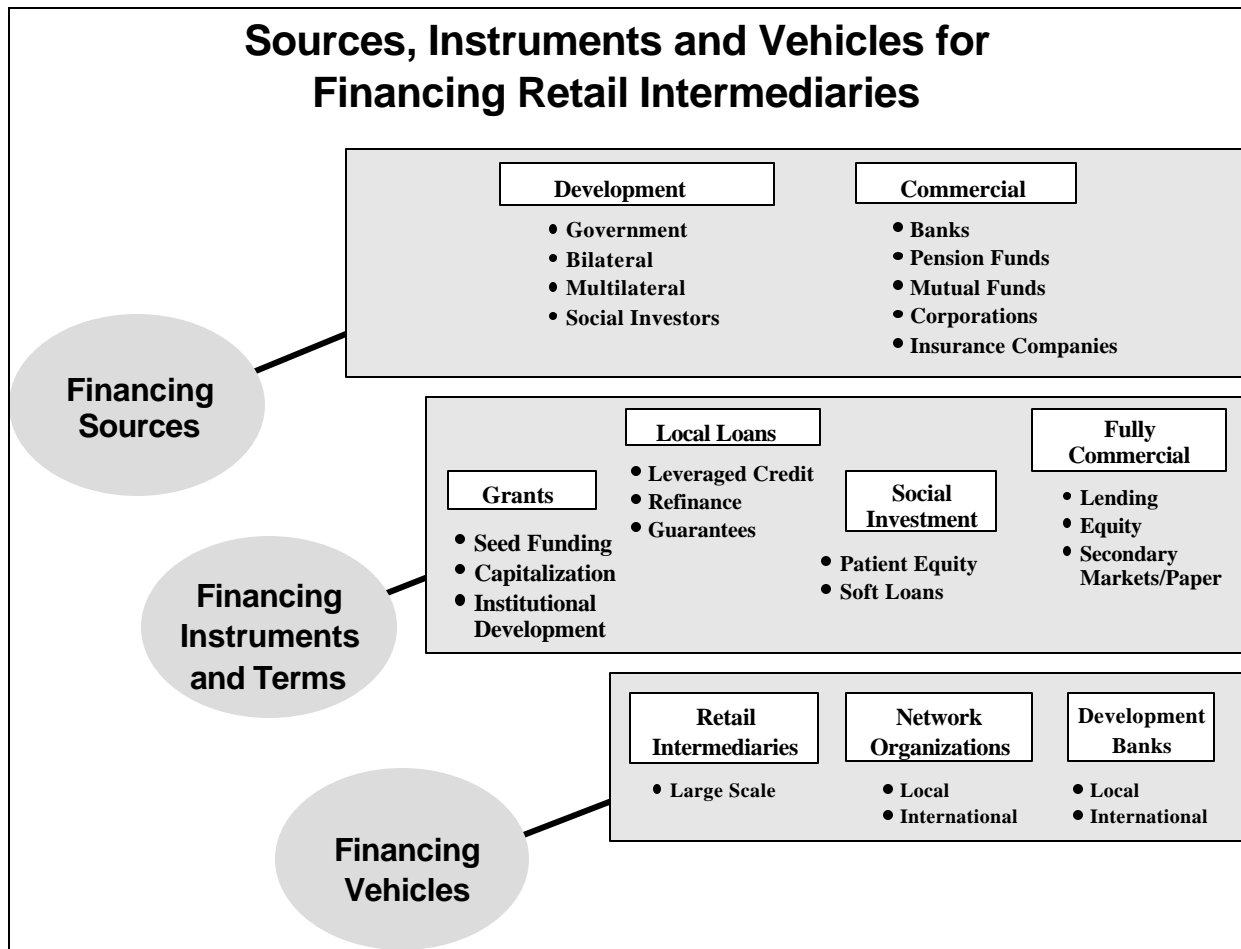


Chart 7

F. WHERE APPROPRIATE, UTILIZE SECOND-TIER INSTITUTIONS

A second-tier institution is a financial intermediary or network that provides financial and institutional support services to retail intermediaries. Such second-tier institutions have major roles to play over the next five to ten years, as wholesalers of capitalization, refinance and institutional development support. Governments and external funders will have great difficulty dealing directly with the large number and wide range of relatively small retail-level financial intermediaries that need to be supported. The traditional evaluation, design, approval and resource channeling methods used by most funders have proven costly, cumbersome and inadequate to achieve the desired results.

Second-tier intermediaries should not be monopoly access channels, but instead serve as one facility available to retail intermediaries in accessing finance and institutional services. These second-tier institutions need to have small, efficient, flexible staffing, to enable self-sustaining operations without adding a heavy layer of costs to the delivery of financial services to low income entrepreneurs. It is important that the second-tier intermediary is allowed to act autonomously, free from political interference. The legal structure and financing sources for second-tier institutions need to be crafted to ensure autonomy and accountability to all shareholders in promoting the build-up of solid, responsive retail intermediaries that provide sound financial services to small and microbusiness.

These second-tier organizations can operate at national, regional and international levels. Their functions can include:

- Building an agreed set of standards on financial performance, client reach and business practice among participating retail intermediaries, as the eligibility criteria for accessing different support services that respond to the different structures and stages of development of participating institutions.
- Organizing systems to benchmark financial performance and reach of participating institutions, enabling comparison and healthy competition among participating institutions, and enabling comparisons against best practice locally and globally.
- Encouraging exchange of experience and lessons learned among participating retail institutions, and with other organizations, to help build institutional capacity and reach.
- Serving as a wholesaler or broker of seed funding, capitalization funds, refinance of loan funds, and institutional development support, using participation agreements and compliance with performance standards as the bases for different types of support services. This support needs to be structured as a catalyst and complement to retail institutions' initiatives to mobilize funds and integrate themselves fully into the financial system.
- Encouraging mutually advantageous linkages between commercial banks and specialized financial intermediaries, and between formal and informal financial institutions. Means can include the provision or promotion of partial loan guarantees to encourage commercial banks to make funds available for microloans, through direct lending and leveraged credit lines to specialized intermediaries.
- Helping ensure that the appropriate legal, regulatory and supervisory structures and incentives are in place to encourage the growth of a set of sound, responsive financial intermediaries serving low income entrepreneurs and producers.

These second-tier functions can be performed by a variety of institutions, and are likely to be performed by:

- National or international development banks that have succeeded in establishing themselves as efficient, responsive, catalytic second-tier organizations. Many development banks have not succeeded in establishing the values, autonomy, management and staff, and balance of promotion and adherence to standards needed to be an effective second-tier institution in microfinancing.
- Participative national, regional or global microenterprise network organizations that have succeeded in building agreed performance standards and eligibility criteria among participating retail intermediaries, and that have the capacity to provide the needed institutional development support, evaluation and monitoring.

Often, development banks need to work closely with network organizations to establish participatory means for setting the standards and sharing best practice. Normally, central banks should be discouraged from providing these second-tier services, since central banks need to focus on overall financial sector policies. Governments can be significant sources of funding for these support services, but it is important that government ministries and departments do not perform or attempt to use these second-tier functions for political purposes. Such arrangements almost always result in short-lived programs with low repayments as they are seen by retail intermediaries and borrowers as politically motivated.

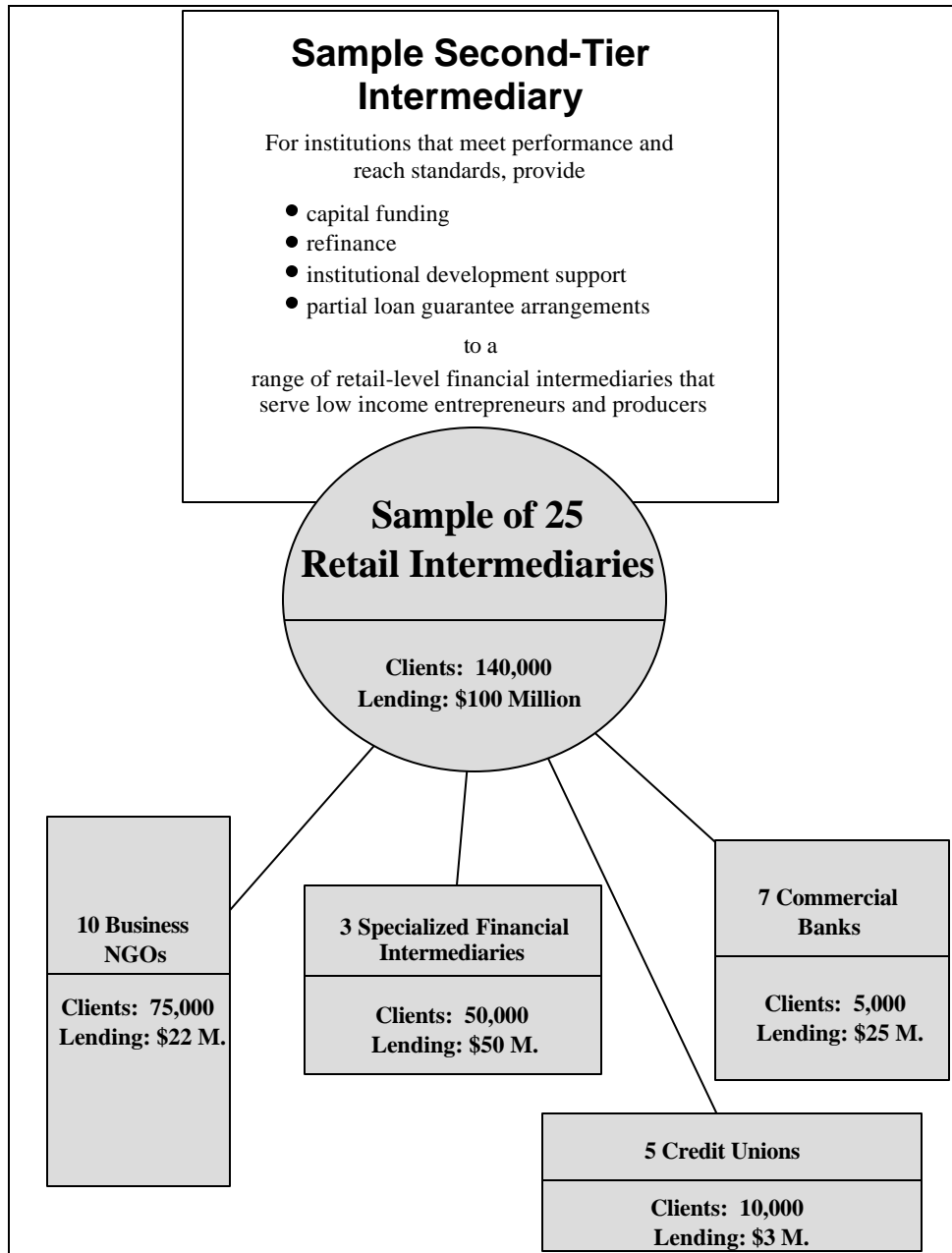


Chart 8

To succeed in providing these services, the second-tier institution needs to:

- be autonomous and free from political interference. This autonomy enables the second-tier institution to establish and enforce performance standards, build real commitment among participating intermediaries, and foster repayment and savings cultures.
- have the capabilities to mobilize funding and build the second-tier institution's own sustainability.
- know the retail institutions intimately and have strong competence in assessing financial and operating performance.
- have strong leadership, being able to motivate retail institutions while being tough in the enforcement of standards and eligibility criteria for capitalization, refinance and loan guarantee services.

G. BUILDING THE REGULATORY AND INCENTIVE FRAMEWORK

Governments have important roles to play in establishing a favorable policy, regulatory and incentive framework for microfinancing institutions. In the past, ministries of finance, central banks and bank superintendencies have had a tendency to see their work as building such frameworks for the traditional segment of the financial system that serves the large corporate, institutional and individual clients. Financial sector policies often have ignored the bottom 50% despite the large present and larger potential savings and borrowing power of this group. Institutions that serve this majority have been treated as outside the mainstream financial system, or even as illegal.

If the savings and lending needs of the poor majority are to be treated seriously, if the institutions that serve their needs are to be encouraged, and if major resources from the private sector are to be mobilized, responsive financial sector policies and umbrella legislation will be needed.

In building policies, regulations and incentives for financial institutions that serve the poor, several principles and practices are key:

- A range of institutions—large and small, traditional and untraditional, existing and new—should be encouraged to enter and expand sound, responsive financial services to the poor majority. Care should be taken to build umbrella legislation and registration policies that encourage a range of legal structures.
- Microfinancing institutions that meet performance standards should be allowed to operate as recognized financial intermediaries. Legislation is needed to encourage those lending institutions that meet prudential standards to mobilize savings and other domestic resources.
- Entry thresholds, such as minimum capital requirements, should be kept low enough so that specialized institutions can become part of the formal financial system.
- Supervisory and reporting requirements should be kept simple, with a focus on key performance indicators.
- Separate supervisory and regulatory arrangements may well be needed, to reflect the special characteristics of microfinancing intermediaries, and to enable the mix of encouragement and adherence to performance standards needed to build institutional capacity and client reach. Such arrangements could encompass NGOs, specialized microfinancing institutions, credit unions and cooperatives.
- Institutions lending to micro and small enterprises should be free to set their onlending interest rates, with competition among intermediaries rather than interest rate ceilings used as the means to create pressure to reduce costs and interest rates.
- Attractive incentives, including tax advantages, should be provided to these intermediaries.

III. ACTION RECOMMENDATIONS

Experience worldwide now provides financial sector leaders with a set of actions needed to build financial systems that work for the majority. Drawing on these experiences, the actions recommended in this report represent a strong consensus by the leading microfinance institutions and the leaders of finance ministries, central banks, development banks, commercial banks, and international funders that participated in the 1995 WWB Global Policy Forum.

A. GOVERNMENTS

FINANCIAL SECTOR POLICIES

1. Ministries of finance and central banks need to enact macroeconomic and financial sector policies that provide the enabling environment for sound financial services by:
 - maintaining sound monetary, fiscal and interest rate policies.
 - liberalizing interest rates so that all financial intermediaries can charge interest rates that will enable them to cover costs and realize profits in their micro and small lending operations.
 - stimulating the financial system to encourage a range of financial intermediaries that provide sound, responsive financial services to the majority.

RESTRUCTURE FINANCIAL SYSTEMS

2. Governments should enable and encourage the structural changes in financial systems that are needed if low income entrepreneurs and producers are to be served by:
 - designing and implementing a regulatory and incentive structure that encourages the entry and growth of a range of private intermediaries, including NGOs and grassroots organizations, that have the commitment and competence to provide financial services that serve the bottom 50% of the country's economically active population.
 - encouraging successful and innovative institutions that reach micro and small scale producers, by helping ensure that those intermediaries that meet performance standards are capitalized, eligible for refinance, and receive adequate institutional development support.

GOVERNMENT AS CATALYST

3. Government agencies should not attempt to lend directly to micro and small entrepreneurs. Governments can use tax incentives, attractive refinance rates, and development finance mechanisms to encourage the expansion of private financial services to low income entrepreneurs in rural and urban areas. Governments and development banks have important roles in showing banks how financial services to the bottom 50% can be good business, rather than attempting to force the banks into markets perceived by them as unprofitable.

**SPECIALIZED
RETAIL
INTERMEDIARIES**

4. Central banks and finance ministries should encourage financial intermediaries that specialize in lending to micro and small enterprise in rural and urban areas, with particular attention to enterprises owned by women.
 - Ministries of finance and central banks should establish regulatory structures and supervisory mechanisms for these institutions, which balance flexibility and prudence. The criteria for licensing this set of institutions should relate to overall performance and capacity to reach low income entrepreneurs.
 - The specific performance measures will vary by type and size of institution, but need to include performance standards with benchmarks on: lending to microenterprise clients; excellent repayment rates; progress toward operating and financial self-sufficiency; strong operating systems; present or potential significant scales of operations; and minimum, growing capital bases.
 - Intermediaries that meet performance standards should be eligible for refinance at attractive market rates, regardless of an intermediary's legal structure.
 - Banking regulations should be revised to ensure that those institutions that meet the standards for prudent savings mobilization are allowed to take deposits from borrowers and/or from the general public. These should be eligible for deposit insurance.

**BANK-NGO
LINKAGES**

5. Governments should promote strong, long-term relationships between formal financial institutions and NGOs, through leveraged bank-NGO-client credit lines, joint training and technology development, and other mutually advantageous collaborations that mobilize banks' resources for low income entrepreneurs. Governments should respect the autonomy of banks and NGOs, and should devise incentives and support mechanisms that enable financial institutions to expand services to the poor in ways that are consistent with the profitable development of financial intermediaries.

**SECOND-TIER
INSTITUTIONS**

6. Governments should help national development banks become second-tier institutions that operate as autonomous, non-bureaucratic catalysts. Second-tier development finance institutions should make available attractive, market-based refinance to those specialized financial intermediaries, NGOs, and commercial banks that meet performance standards and reach low income entrepreneurs and producers.

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| BUILDING CHANGE PROCESSES | 7. Governments can play a leading role in building change processes that open the majority's access to financial services, by organizing studies, task forces, regular consultations and policy forums that involve leading financial institutions, NGOs and microenterprise clients. Governments should advocate, showcase and disseminate successful models of financial services to low income entrepreneurs and producers. |
| REALLOCATE RESOURCES | 8. Governments should reallocate budgetary resources in favor of low income entrepreneurs and producers, particularly women, and should encourage reallocations among banks and international funders. |
| GIVE POOR PEOPLE A VOICE | 9. Governments should hold annual economic consultations to discuss economic plans and budgets, as they relate to the economic participation of the poor, particularly women. Low income entrepreneurs should participate, as should NGOs and other groups active with this sector. Women should work to gain access to information about what programs are available, and organize to gain increased access. |
| REGULATION AND TAXATION | 10. Governments should develop simplified and appropriately designed regulatory and taxation policies for small businesses and the financial institutions that serve them. Credit restrictions on lending to unregistered enterprises should be relaxed. |
| LEGISLATION FOR ACCESS | 11. Governments should enact legislation that removes the barriers to women's economic participation, particularly as they relate to property rights, other asset holding, inheritance laws, credit policies, labor and zoning laws. |
| WOMEN'S PARTICIPATION | 12. Finance and sectoral ministries should make active efforts to hire more women, to select women for decision-making positions and governing bodies, and to sensitize their staffs to issues related to low income women's economic participation. |
| GATHER GENDER DATA | 13. Relevant economic and financial data collected by ministries of finance and planning should be disaggregated by gender and income, particularly data relating to government development expenditures, credit and savings patterns, public and private sector employment, and income and asset distribution. |

B. FINANCIAL INSTITUTIONS

All Retail Intermediaries

INTEREST RATES

14. Financial intermediaries need not and should not subsidize interest rates to micro and small entrepreneurs. Financial intermediaries should be free to set interest rates that cover the financial and operating costs, and risk provisions of an efficient financial intermediary. Microfinancing institutions need to build efficient lending operations and volumes to reduce costs and interest rates. Yet, with available microlending technologies, interest rates for microentrepreneurs normally will need to be higher than commercial rates for prime borrowers.

STANDARDS OF EXCELLENCE

15. Financial intermediaries that serve low income entrepreneurs should build organizations, loan delivery systems and performance that enable significant reach and sustainable operations. Standards of excellence should be adopted, whether the financial intermediary is a commercial bank, a credit union, an NGO, or another specialized financial intermediary.

CREDIT AND SAVINGS DELIVERY PRINCIPLES AND METHODOLOGY

16. Lenders to low income entrepreneurs and producers should use credit and savings methodologies that are effective at reaching these clients, particularly women. Keys to success in lending to low income women and men are to:
- go to the places and the sectors where low income people are concentrated.
 - design services that meet client needs for convenient and rapid access to small working capital loans.
 - help low income entrepreneurs build confidence and experience as borrowers and business owners.
 - build a sense of ownership and mutual accountability for results with the borrower.
 - secure excellent repayments, through responsive services, relationships of mutual accountability, and non-traditional collateral as means to reduce risks.
 - reduce high transaction costs through simplicity, efficiency, concentration, and using of cost saving technologies including group lending.
 - when the institution is capable and authorized by the proper authorities, mobilize savings from clients and the public as a means to: help low income people increase control over their economic futures; provide a substitute for traditional collateral; and give the financial intermediary a sustainable source of loan funds.
 - when mobilizing savings, build convenient collection locations, encourage small savings, give depositors ready access to their funds, ensure that deposits are safe, and provide fair returns.

17. Financial intermediaries that seek outside funds—capitalization, institutional development and commercial loan funds—should meet high standards of performance, and have credible plans for sustainable operations and significant lending volumes. Some standards, such as a sound governance structure, excellent repayments and market interest rates, should be achieved regardless of the stage or scale of an institution. Other performance standards, such as operating self-sufficiency and efficiency in costs per unit lent, need to be achieved incrementally. Standards can be broken down into standards of financial performance, client impact, and business practices:

Financial Performance

- Excellent repayments—with arrears under 10% of principle due and bad debts under 4%.
- Interest rates and fees that are high enough to cover finance and operating costs of an efficient microlender.
- Substantial progress and credible plans to cover operating and finance costs from internal revenues in a three to seven year period from the outset of operations.
- Diversity in portfolio by size and sector, to spread risks.
- A growing capital structure—that can be used to generate investment income, can be lent, and can be used to leverage commercial bank funds.

Client Impact

- Market penetration—for significant outreach to low income entrepreneurs.
- Strong savings mobilization—directly or through other institutions.

Business Practices

- Sound governance and accountability structure, freedom from political interference.
- Competent staff, responsive loan systems.
- Sound institutional operations, effective management information systems, financial accountability, transparency.

Specialized Financial Intermediaries and Business NGOs

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| SHARE BEST PRACTICE | 18. Business NGOs should increase the recognition among banks and funders that small and microentrepreneurs merit finance as profitable banking clients, and that lenders need to change their organizations and procedures to respond to the needs of this large client group. NGOs should demonstrate their positive results in this market, to attract more resources. Business NGOs should share their successful experiences with banks and others that wish to enter this market. |
| SCALE-UP, WITH CAPITALIZATION | 19. Successful NGOs should be scaling-up, and should mobilize domestic resources to support that effort. |
| SECURE APPROPRIATE SUPPORT | 20. Strong business NGOs and specialized financial intermediaries that meet rigorous standards should seek capitalization, institutional development support, and refinance. |
| BUILD BANK-NGO LINKAGES | 21. Business NGOs should provide commercial banks with linkage mechanisms designed to facilitate reaching the microenterprise market. NGOs need to demonstrate the advantages of these linkage mechanisms to the banks, in bankers' terms. |
| BUILD CAPACITY | 22. Business NGOs should strengthen their institutional capacity, and train their staff to generate a business-like organizational culture. |
| EXPAND FUNDING SOURCES | 23. As their volumes expand, business NGOs should seek funding on commercial terms, and develop innovative means to mobilize funding from financial markets. |
| GATHER GENDER DATA | 24. Business NGOs and specialized financial institutions should gather gender disaggregated information on their clients. |
| MEET STANDARDS OR DO NOT LEND | 25. NGOs that are not positioned to meet the absolute and incremental standards for successful microlending operations should not make loans. |

Commercial Banks

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| RECOGNIZE MARKET POTENTIAL | 26. Commercial banks need to recognize the market potential of the small and microenterprise sector. Since profit-maximizing financial institutions will choose markets that have attractive return and risk patterns, financial institutions should learn about the experience of commercial banks and other intermediaries that have realized healthy profits with small and microenterprise lending. |
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**STRUCTURE
SERVICES TO REACH
LOW INCOME
CLIENTS**

27. Banks and financial institutions can structure services to reach sizeable markets comprised of micro and small businesses, particularly those run by women. Banks that have been successful in reaching large numbers of microenterprise borrowers have learned how to:
- see low income clients as a large, promising, loyal client group, that has been underserved.
 - create simple procedures for making small loans and mobilizing small savings amounts, working with individuals and groups.
 - bring lending and savings services to the clients by hiring and training responsive staff, setting up special business units, and establishing storefront or mobile branches.
 - adapt consumer lending and loan scoring products and technologies to microbusinesses, and combining these technologies with innovative, cost-effective outreach approaches.

**EXPAND FINANCIAL
SERVICES**

28. Commercial banks and other traditional financial intermediaries should be encouraged to expand financial services to the lower 50% of the economically active population by:
- encouraging those banks with the commitment to this target group—rather than attempting to force all banks into this market
 - liberalizing interest rates to enable banks to charge what it costs, using competition among institutions to establish affordable interest rates.
 - spreading the word on how banks can realize the opportunities for profitable microfinancing operations.

**BUILD BANK-NGO
LINKAGES**

29. Banks need to recognize the opportunities in collaborating with business NGOs, specialized financial institutions, and women's groups, to reach women and other underserved client groups. Partnerships between banks and NGOs—including credit lines, deposit services, shared facilities, joint training and learning best practice—can benefit banks, NGOs and micro businesses. Banks can build business franchise type mechanisms that engage NGOs and grassroots groups in outreach, loan generation, and screening loan servicing and related training. Appropriate fees need to be provided to those institutions that do the work.

- LEVERAGE ACCOUNTS** 30. Banks should be encouraged to reduce minimum deposit and other requirements for opening bank accounts, to help low income women and groups build relationships with the formal banking system.
- GATHER GENDER DATA** 31. Banks should be encouraged to disaggregate and publish data on their client base by gender.
- Second-Tier Intermediaries**
- WHOLESALE SERVICES** 32. Second-tier institutions with the competence and commitment to low income clients should wholesale finance and services to banks, non-bank intermediaries, specialized financial institutions, cooperatives and credit unions that meet performance standards—rather than attempt to make direct loans to small and microenterprises.
- REFINANCE, CAPITALIZATION, INSTITUTIONAL DEVELOPMENT** 33. Second-tier institutions should provide refinance to a wide range of institutions at attractive market rates. Competent, innovative development banks may have a role to play in channeling capitalization to competent retail intermediaries, and in providing financial support for retail institutions in strengthening their capacity to serve the financing requirements of small and microenterprises.
- ENFORCE STRONG PERFORMANCE STANDARDS** 34. Second-tier institutions should lend to institutions that meet rigorous eligibility criteria: excellent repayments, sound operating and financial structures, and competence in expanding reach to large numbers of low income entrepreneurs.
- MOTIVATE BANKS** 35. Second-tier institutions can motivate and encourage the local banking sector to lend to the micro and small enterprise sector. They should publicize success stories, organize exchange among leading practitioners, and facilitate training of managers and officers of retail-level financial intermediaries.
- HELP DESIGN FINANCIAL PRODUCTS** 36. Second-tier institutions can help design new financial products for use by retail-level financial institutions, to serve low income entrepreneurs and producers.
- GATHER GENDER DATA** 37. Second-tier institutions should gather gender disaggregated data on lending under their refinance operations.

C. INTERNATIONAL FUNDERS

FOCUS ON ECONOMICS OF BOTTOM 50%

38. International funders need to dramatically increase their focus on supporting programs and institutions that increase the economic participation, income and assets of the bottom 50% of countries' economically active people. International funders need to recognize that these objectives will not be met by combining structural adjustment with social sector programs.

REALLOCATE BUDGETS

39. International funders need to see their primary target population as this bottom 50%, and allocate a significant percentage of their resources to measures that give low income entrepreneurs, particularly women, access to the finance, business development and self-empowerment services that they need to increase their income and assets, access social services, and build their communities.

CHANGE DEVELOPMENT AID APPROACHES

40. International funders will need to make major changes in attitudes, approaches and funding mechanisms if the opportunities and needs of the bottom 50% are to be met. Funders should support processes, programs and institutions, not projects designed by the funders. Funders need to learn how to be more innovative and be more willing to take risks. At the same time, performance should be monitored carefully, with funding calibrated to results. Funders and implementing organizations should be held accountable for learning and sharing lessons, and for building sustainable organizations moving to major impact. Funders need to design support mechanisms that respond to local institutions' different stages of development and potential for expanded impact. Cost effective, nonbureaucratic mechanisms need to be found that enable support for a larger number of institutions that meet performance standards, but operate at different scales and stages. Institutional development needs to be seen as a continuous, long-term process.

SUPPORT NETWORK ORGANIZATIONS

41. International funders should increase their support to strong network organizations as effective instruments for: (a) sharing technical know-how, best practice and lessons learned; (b) channeling funds for capitalization, lending and institutional development of large numbers of local institutions that meet performance criteria; and (c) achieving high performance, based on mutual accountability for results.

RESPONSIVE FUNDING FOR QUALIFIED INTERMEDIARIES

42. International funders should provide flexible funding—including funds for institutional development, loan funds, capitalization and equity—to a wide range of qualified financial intermediaries of all sizes that meet high standards of performance, and that are positioned to expand their scale. Various international funders may decide to provide only some of the needed financing instruments. Funders should provide financial and other support in a form that fosters the movement to scale, financial self-sufficiency, and domestic resource mobilization.

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| MECHANISMS FOR
DIRECT SUPPORT TO
PRIVATE
ORGANIZATIONS | 43. International funders need to find mechanisms for lending directly to private financial institutions that serve low income women entrepreneurs and producers. Mechanisms should be devised to enable funders to operate directly with NGOs and other specialized financial institutions. |
| SUPPORT
SUCCESSFUL
INSTITUTIONS | 44. International funders should be willing to invest heavily in supporting innovative and successful institutions that demonstrate the viability of providing financial services for low income entrepreneurs and producers. |
| SUPPORT GOOD
GUARANTEE
FACILITIES | 45. International funders should develop and support well designed guarantee funds, as instruments for mobilizing funding from local sources by specialized retail institutions. They should innovate in the development of new financial instruments and approaches to this market, such as equity funds, leasing, and accounts receivable financing. |
| SUPPORT
INSTITUTIONAL
DEVELOPMENT | 46. International funders should encourage, assist and fund institutional development, with a focus on lateral learning among practitioners, and dissemination of success stories, best practice and successful forms of intermediation. |
| BUILD INNOVATION
FACILITIES | 47. International funders should establish innovation facilities to provide capital and institutional development to NGOs, banks and other institutions that demonstrate the capacity to expand financial services to low income entrepreneurs and producers, particularly women. |
| EVALUATE IMPACT | 48. International funders should undertake impact evaluations, with joint assessments made and evaluation methodologies shared. Funders should ensure their staff have the skills to evaluate and measure the performance of the specialized financial intermediaries they are funding. |
| GATHER GENDER
DATA | 49. International funders should collect and disseminate gender disaggregated data on the programs they fund. |

IV. BUILDING CHANGE PROCESSES TOGETHER

Participants in the Global Policy Forum are committed to using positions of leadership to move these approaches and recommended actions into practice at local and global levels. This section contains the actions and processes that participants decided to undertake, and that other leaders may also choose to adopt and join.

Disseminating the Policy Forum Report

Participants decided that WWB should distribute the Policy Forum Report to all major financial decision makers in the world, particularly all:

- ministers of finance, economy, industry and trade.
- central bank governors and banking superintendents.
- heads of development banks.
- heads of major commercial banks and international financial institutions.
- top managers of multilateral and bilateral development organizations.
- key leaders in the media.
- microenterprise lending practitioners.

In sending this report to these leaders, WWB would ask each for an endorsement of the objectives, paradigms, approaches and action recommendations. Subsequent editions of the Report could include these endorsements.

Participants also recommended that WWB with other Policy Forum participants, prepare shorter, targeted papers and videos, geared to different sets of key audiences, including: commercial bankers; politicians and government officials who may have less technical background in finance, banking or microenterprise; and the media.

Other Forums

All participants indicated that they would use the Policy Forum Report to introduce the approaches and action recommendations in other key local and global policy forums. In particular, participants agreed that:

- The Policy Forum Report will be presented at the Meetings and Conference of the Donors Committees on Small and Medium Enterprise, and the Donor's Working Group on Financial Sector Development, to be held in June 1995 in Hungary.
- The World Bank will arrange a major seminar at the October 1995 Annual Meetings of the IMF and World Bank, using this Policy Forum Report to engage a large number of finance ministers, central bank governors, and private financial leaders in discussing how to build financial systems that work for the majority.
- WWB will present the Policy Forum Report at the Fourth UN World Conference on Women in early September 1995.

Participants strongly recommended that WWB hold this Global Policy Forum every year or two, with wider participation of finance ministers, central bank governors, heads of financial institutions and leaders of international funding institutions. Participants also supported the expansion of WWB's Banking Innovation Council as a means to encourage leaders of private financial institutions to increase financing of low income entrepreneurs.

Implementing the Action Recommendations

Several country leaders at the Policy Forum stated their commitment to implementing the action recommendations by:

- building local task forces, studies and policy forums.
- involving leaders from their respective finance ministries, central banks, banking superintendencies, development banks, commercial banks, specialized financial intermediaries, and leading business NGOs in these change processes.

Standards and Support Mechanisms

Participants will encourage national governments to adopt the standards and support modalities outlined in this Report, in building domestic financial systems that will work for the majority.

Leaders of international funding agencies will move to adopt the standards and support modalities outlined in this Report. They will use their leadership to make the needed changes in orientation, procedures, funding mechanisms and resource allocations.

Participants support the build-up of strong network organizations, at national and global levels, that have the demonstrated capacity to:

- use participatory means to establish agreed evaluation and performance standards for retail institutions active in the network.
- provide effective institutional development support.
- be effective wholesalers of capitalization, loan and guarantee funds for participating retail intermediaries.

Participants recommended that WWB build on its leadership in standards, benchmarking and best practice dissemination to promote global collaborations among microenterprise practitioners.

Sharing Actions and Results

Participants committed to send WWB information on actions initiated, policies implemented, mechanisms developed, lessons learned and results achieved in expanding low income entrepreneurs' access to finance. WWB committed to the widespread dissemination of results achieved by participants and other interested parties.

WOMEN'S WORLD BANKING 1995 GLOBAL POLICY FORUM**BIOGRAPHIES OF PARTICIPANTS****LEADERS OF FINANCE AND ECONOMIC MINISTRIES****Mr. Eduardo Aninat**

Mr. Aninat is the Minister of Finance of Chile. He has demonstrated leadership in financial sector reforms and in the creation of financing vehicles for small enterprise. He is a strong supporter of women's expanded economic access and participation.

Dr. Pedro Aspe Armella

As the former Minister of Finance of Mexico, Pedro Aspe has been a leader in Mexico's financial sector restructuring, including measures that expand financial services to small and microentrepreneurs. Dr. Aspe also has served as Secretary of Programming and Budgeting, and in other senior positions in the Government of Mexico.

Dr. Kwesi Botchwey

Dr. Botchwey is Ghana's Minister of Finance and Economic Planning. Under Dr. Botchwey's leadership, Ghana has been successful in structural adjustment and financial sector reform measures. Ghana is a leader in Africa in developing the regulatory and incentive frameworks for small and microenterprise financing that balance prudence and flexibility in opening access to the majority.

Mr. Fernando Cossío

Mr. Cossío is Bolivia's Minister of Finance. Under his leadership, Bolivia has been at the forefront of building the regulatory and incentive framework to encourage strong NGOs and specialized financial intermediaries capable of serving Bolivia's large microenterprise sector.

Mr. Mario Gabriel Budebo

Mr. Gabriel Budebo is Director General for Development Banks in the Ministry of Finance and Public Credit of Mexico. Mexico has been a leader in building second-tier lending arrangements to encourage banks, NGOs and specialized financial intermediaries to expand financial services to small enterprises.

Mr. Trevor Manuel

Mr. Manuel is South Africa's Minister of Trade and Industry. Under Mr. Manuel's leadership, South Africa has introduced highly innovative systems to support private financial intermediaries and NGOs in expanding finance and business development services to emerging small and microbusinesses.

Dr. Guillermo Ortiz Martínez

Dr. Ortiz Martínez is Mexico's Minister of Finance. Mexico has been a leader in building second-tier arrangements for financing of small and microenterprise by a range of retail intermediaries, including commercial banks, credit unions, NGOs, and specialized financial intermediaries that meet performance standards. Mexico has recognized the importance of building financial systems that work for the low income majority as part of Mexico's economic and poverty alleviation strategies.

Mr. Saifur Rahman

Mr. Rahman is the Minister of Finance of Bangladesh. Over the last ten years, the Government of Bangladesh has devised a variety of legal structures for NGOs and specialized financial intermediaries to establish themselves and to grow into significant financial institutions for millions of poor entrepreneurs.

Mr. Sixto Roxas

Mr. Roxas is a former Minister of Planning of the Philippines. Mr. Roxas is a well known innovator in building innovative financial mechanisms and institutional arrangements in financing communities and enterprises that have not had access.

Mr. Victor Selormey

Mr. Selormey is Deputy Minister of Finance and Economic Planning in Ghana. Ghana has shown leadership in Africa in the reform of financial systems that open access to the poor majority. Innovations include means to encourage the inclusion of traditional savings and credit groups into the formal financial system.

Dr. Manmohan Singh

Dr. Singh is Minister of Finance of the Government of India. He has also served as the Governor of the Reserve Bank of India, India's Central Bank, and as the leader of a major ESCAP Commission on strategies for competitiveness. Dr. Singh is well known for his leadership in macroeconomic, financial sector and industrial policy reforms, and for his commitment to building financial systems that work for the poor majority.

Mr. Chantol Sun

Mr. Sun is the Secretary of State for the Economy and Finance in the Kingdom of Cambodia. Mr. Sun, who has extensive private sector experience, has been a leader in restructuring the public sector and attracting private investment to Cambodia.

Mr. Leonardo Villar

Mr. Villar is the Deputy Minister of Finance for Colombia. He is a leader in building strong regulatory and incentive frameworks in Colombia's financial system, and in building innovative financing mechanisms to support access by small and microenterprise.

LEADERS OF CENTRAL BANKS

Dr. Godfried K. Agama

Dr. Agama is the Governor of the Central Bank of Ghana. He has made major contributions to the Ghanaian economy, having served as a Member of Parliament for several years on several important government committees dealing with external debt, national economic planning and national development.

Mr. Khorshed Alam

Mr. Alam is the Governor of the Bangladesh Bank, the central bank of Bangladesh. He is a strong actor in building sound, responsive financial systems that work for the majority. In Bangladesh, this has meant an increased reliance on NGOs and specialized financial intermediaries.

Mr. Hernando José Gómez

Mr. Gomez is a Member of the Board of Directors of Banco de la República, Colombia. Colombia has recently liberalized operating conditions for NGOs and other financial intermediaries, and in so doing, has opened access to the poor majority.

Mr. C. Rangarajan

Mr. Rangarajan is the Governor of the Reserve Bank of India, India's central bank. India has long recognized the importance of small enterprises in its economic development strategies. India is moving to introduce market-based reforms in the financial system, with a focus on building effective mechanisms to encourage banks, specialized financial intermediaries, NGOs and grassroots groups to expand financial services to the poor majority.

Mr. S.P. Talwar

Mr. S. P. Talwar is the Deputy Governor of the Reserve Bank of India, India's central bank. Mr. Talwar brings to his regulatory responsibilities strong experience in senior executive positions in commercial banks.

Ms. I.T. Vaz

Ms. Vaz is the Executive Director of the Reserve Bank of India, the first woman to hold this position at the Reserve Bank. She has particular expertise in agricultural finance and credit guarantee schemes.

LEADERS OF COMMERCIAL AND DEVELOPMENT BANKS

Mr. Xavier Chávez Estrada

Mr. Chávez Estrada is Manager of Community Development at Banco del Pacifico, Ecuador. He has worked with, and written extensively on, microcredit operations in Ecuador. His deep commitment to community service and creativity in designing innovative systems for microfinance serve as a model for bankers.

Mr. Ranjit Fernando

Mr. Fernando is the Managing Director of the National Development Bank of Sri Lanka. NDB provides development finance, through direct loans to large private enterprises, and through refinance of commercial bank loans to small enterprises. Mr. Fernando was responsible for the successful build-up of small enterprise operations during the 1980s. In his capacity as Managing Director, he led the successful privatization of the NDB in 1994.

Mr. P. Kotaiah

Mr. Kotaiah is the Chairman of the National Agricultural Bank for Agricultural and Rural Development, NABARD. Under Mr. Kotaiah's leadership, NABARD has undergone major restructuring and improvements, and has initiated various programs that encourage commercial banks to work with NGOs and women in savings and credit groups.

Mr. Marcel Laniado

Mr. Laniado is the President of Banco del Pacifico in Ecuador. Banco del Pacifico, a commercial bank with operations throughout Ecuador and elsewhere in the Americas, was founded by Mr. Laniado with a strong community development mission and vision. Over the past ten years, Banco del Pacifico has innovated in micro and small enterprise financing, and has now developed strategies and cost effective technologies for major penetration of the microfinancing market in Ecuador.

Mr. Roy Polkinghorne

Mr. Polkinghorne is a Senior Manager for Microenterprise at Standard Bank of South Africa Limited. He is a member of the government of South Africa's team to restructure financial services for small and micro enterprises.

Dr. Conrad Strauss

Dr. Strauss is Chairman of Standard Bank of South Africa Limited, one of the largest banking and financial services groups in Africa. A former President of the Institute of Bankers of South Africa and Chairman of the Clearing Bankers Association of South Africa, he was a member of the State President's Economic Advisory Council from 1988 until April 1994. In January 1995, he was appointed Chairman of the Presidential Commission on Provision of Rural Financial Services.

Mr. Víctor Toledo

Mr. Toledo is the Executive Vice President of Citibank in Chile, where he manages branches, credit cards and mutual fund business. He has worked extensively with FINAM, the WWB affiliate in Chile to develop innovative financial products for women entrepreneurs.

LEADERS OF INTERNATIONAL FUNDING INSTITUTIONS

Mr. Brian Atwood

Mr. Atwood is the Administrator of the United States Agency for International Development. USAID has been a leading bilateral development organization in the field of small and microenterprise financing. USAID has pioneered and supported watershed research on best practice and lessons learned in microenterprise lending and business development services, and has been a major source of support in building financial systems and retail intermediaries for microenterprise financing.

Ms. Nancy Birdsall

Ms. Birdsall is the Executive Vice President of the Inter-American Development Bank. Prior to assuming this position, Ms. Birdsall was Director of the Development Economics Department of the World Bank. IDB has been a leader in the field of microenterprise, backing much of the innovation and scaling-up of microfinancing institutions in Latin America and the Caribbean.

Mr. Louis Currat

Mr. Currat is the Head of the Technical Division at the Swiss Development Cooperation. He has worked extensively in Asia and Africa. Under his leadership, microenterprise financing for the poor majority has been given strong support.

Mr. Roger Dumelie

Mr. Dumelie is the Director of the International NGO Department in the Canadian International Development Agency, CIDA. Mr. Dumelie has been a leader in supporting innovative NGOs at local and global levels, particularly in the areas of microfinance, economic and political participation of poor communities, and women's increased participation in economies.

Mr. Hansjörg Elshorst

Mr. Elshorst is the Director of the German Agency for Technical Cooperation, GTZ. GTZ has been an innovator in building financial instruments and technical support mechanisms, including capitalization, to support NGOs and specialized financial intermediaries that meet performance standards.

Mr. Richard Frank

Mr. Frank is a Managing Director of the World Bank. Mr. Frank has extensive experience in private sector development and capital markets. Prior to assuming his leadership position in the World Bank, he was a senior manager in the International Finance Corporation, the private sector financing arm of the World Bank.

Ambassador Walter Fust

Ambassador Fust is the Director of the Swiss Development Cooperation. Under Ambassador Fust's leadership, the SDC has built strong operations in micro and small enterprise development, and in financing strategies that open access to the poor majority.

Mr. Kjell Halvorsen

Mr. Halvorsen is the Director General of Multilateral Development Cooperation at the Norwegian Ministry of Foreign Affairs. Mr. Halvorsen is a leading government official with broad experience of financial and technical assistance to developing countries and strategies for poverty alleviation.

Mr. Hiroshi Hirabayashi

Mr. Hirabayashi is the Director General of the Japanese Ministry of Foreign Affairs. Japan, a leading development funder, is moving strategies and building mechanisms to expand its support of micro and small enterprises, and of non-governmental organizations engaged in helping the majority gain access to finance, information and markets.

Mr. Enrique Iglesias

Mr. Iglesias is the President of the Inter-American Development Bank. Mr. Iglesias has been a champion of the importance of microenterprise development and of financial systems that serve low income entrepreneurs. Under Mr. Iglesias' leadership, IDB has been the pioneer among multilateral development organizations in supporting NGOs, specialized financial intermediaries and commercial banks in building substantial, sustainable financial services to micro and small enterprises.

Mr. Magdi Iskander

Mr. Iskander is the Director of the Private Sector Development Department in the World Bank, responsible for policy, research, and innovation strategies in industrial competitiveness, restructuring, exports, technology and small enterprise development. The Private Sector Development Department will be responsible for managing CIGAP, the new World Bank facility for financing microenterprise.

Ms. Huguette Labelle

Ms. Labelle is the President of the Canadian International Development Agency, CIDA. CIDA has placed high priority on poverty alleviation, sustainable economic development, building NGO capabilities, and increasing low income women's economic participation. CIDA has been a significant source of support in the build-up of innovative financial intermediaries and practitioner networks in the field of microenterprise.

Dr. Georg Lennkh

Dr. Lennkh is the Director General of International Cooperation, in the Austrian Ministry of Development Cooperation. Under Dr. Lennkh's leadership, Austria has built its support for financial systems and intermediaries that open access to low income entrepreneurs and producers, particularly in Africa.

Ms. Jan Piercy

Ms. Piercy is U.S. Executive Director at the World Bank. She previously served as Assistant to President Clinton in the White House. Before joining the Administration, she was senior Vice President of Shorebank Corporation, a Chicago-based bank holding company designed to spur community economic development.

Mr. Jan P. Pronk

Mr. Pronk became Minister of Development Cooperation for the Netherlands in 1989. He also served as a member of the Brandt Commission and was Deputy Secretary-General of UNCTAD. As Minister of Development Cooperation, he has shown leadership in supporting institutions that finance microentrepreneurs, particularly women.

Dr. Marielies Rehor

Dr. Rehor, is the Director of Development Finance for the Federal Ministry of Foreign Affairs of the Austrian Government. The Austrian government has significantly increased its involvement in microenterprise financing operations in recent years to build national financial systems that work for the majority.

Mr. Jean François Rischard

Mr. Rischard is Vice President of Finance and Private Sector Development of the World Bank. He has held several leadership positions in the World Bank and in investment banking. He has shown a strong commitment to expand the financing of microenterprises that meet high standards of performance and reach.

Mr. Jean-Guy Saint-Martin

Mr. St. Martin is the Vice President, Partnership Branch of the Canadian Agency for International Development. CIDA has been a leading bilateral funder in NGO development, participative approaches to poverty alleviation, sustainable development strategies, and women's participation in development processes.

Mr. Mitsuo Sato

Mr. Sato is the President of the Asian Development Bank. ADB has been a leader in supporting financial sector reforms and restructuring, innovative financial instruments to encourage private sector development, and strong financial intermediation for small enterprise. ADB is building its poverty alleviation programs, with particular emphasis on opening low income entrepreneurs access to finance, know-how and markets.

Mr. Rolf Radbod Schröder

Mr. Schröder is Director for the Private Sector Development and Banking Division of the German Ministry for Economic Cooperation and Development. German development assistance has demonstrated leadership in building financing mechanisms that support growth and efficiency improvements in microfinancing institutions.

Ms. Sally Shelton

Ms. Shelton is the Assistant Administrator of USAID. In this capacity, she is responsible for global operations and initiatives, including USAID's catalytic microenterprise fund for NGOs and financial intermediaries that specialize in microfinance. Ms. Shelton has had several senior diplomatic positions, and has been a leader in policy and political analysis in Latin America and the Caribbean for the US government and in private commercial banking.

Mr. James Gustave Speth

Mr. Gustave Speth is the Administrator of the United Nations Development Program, UNDP. Mr. Speth has provided leadership in increasing UNDP's role as a development catalyst, particularly in the areas of human resource development and sustainable strategies, with particular emphasis on preserving the environment.

Mr. Gunther Stachel

Mr. Stachel is the Deputy Director General of International Cooperation, in the Austrian Department of Development Cooperation. Mr. Stachel's leadership has been pivotal in increasing the focus of Austrian development aid on building financial systems that work for low income entrepreneurs, particularly in Africa.

Ms. Sarah L. Timpson

Ms. Timpson is the Deputy Assistant Administrator in the Bureau of Policy and Program Support at the UNDP. She is responsible for promoting operational programs, aiming at sustainable human development. She established UNDP's NGO division, and initiated the Partners in Development and Africa 2000 Network Programmes which provide small grants for grassroots initiatives.

Ms. Ann Van Dusen

Ms. Van Dusen is the Senior Deputy Assistant to the Administrator of USAID. Ms. Van Dusen manages USAID's global programs, including the microenterprise fund. She has strong experience in economic and social sector development including microfinance.

LEADERS IN MICROENTERPRISE FUNDING

Mrs. Teresa Fogelberg

Mrs. Fogelberg is Head of Women in Development of the Dutch Ministry of Foreign Affairs. Since 1993, she has been the Chair of the OECD/DAC Expert Group on Women and Development. Under her leadership, women's issues, and in particular access to credit, have received increased attention from the Dutch government.

Ms. Madhu Gujral

Ms. Gujral is a Program Officer for USAID in the New Delhi, India office.

Dr. Konstantin F. Huber

Dr. Huber is Senior Advisor in the Austrian Department of Development Cooperation. Dr. Huber has been involved in Austria's expanded support of the build-up of financial systems that serve the majority, particularly in Africa.

Mr. Henry Jackelen

Mr. Jackelen is the Deputy Manager for Private Sector Development in UNDP. Mr. Jackelen, who has strong private sector banking experience, has been a leader in building microfinancing institutions as solid, responsive financial intermediaries, in Asia, Africa, and Latin America.

Mr. Gilles Lessard

Mr. Lessard is Senior Advisor at the Canadian International Development Agency (CIDA). Over the past 25 years, Mr. Lessard has been a leader in international research and development in natural resources and private sector development. Since 1989, he has been involved in enterprise development, with a particular focus on employment and income generation aimed at reducing poverty in developing countries.

Ms. Lisa Mensah

Ms. Mensah is Deputy Director of the program on rural poverty and resources at the Ford Foundation. In this capacity she is responsible for supporting community development financial institutions that help build small enterprises in the United States and in developing countries. Prior to joining the Ford Foundation, Lisa Mensah worked in corporate finance for Citibank in New York.

Ms. Cristina Ortiz

Until recently, Ms. Ortiz was Division Chief for Microenterprise Development at the Inter-American Development Bank. Under her leadership, IDB has become a leader among the multilateral development institutions in financing microenterprises. The IDB offers financing through NGOs and other specialized intermediaries, and through global, country-wide operations, with a range of eligible retail intermediaries, including commercial banks.

Ms. Isabel Perich

Ms. Perich is Program Officer for Micro and Small Enterprise Lending Operations in the Swiss Development Cooperation. She has field experience in several developing countries. The SDC is a leader in microenterprise development, and in innovative financial mechanisms to support rural and enterprise finance.

Mr. Christian Pollak

Mr. Pollak is Head of Private Sector Promotion at the German Agency for Technical Cooperation (GTZ). He is responsible for microenterprise and handicraft promotion, small and medium enterprise development, export promotion, and reform of public and semi-public enterprises.

Dr. Musunuru S. Rao

Dr. Rao is Manager, Social Development Division of the Office of Environment and Social Development at the Asian Development Bank, Manila. Dr. Rao has had significant involvement in policy, research and investment project work focussing on both social and economic aspects. He has worked extensively on the agriculture sector.

Dr. Elisabeth Rhyne

Dr. Rhyne is the director of USAID's office of Microenterprise Development Fund. She has published extensively, with strong contributions in building sustainable institutions that serve microenterprise. She manages the global microenterprise fund of USAID, and leads the SME Donor's Committee Working Group on Building Standards for Microfinance Operations.

Mr. Richard Wada

Mr. Wada is the Resident Representative of the Asian Development Bank (ADB), in India. The ADB has shown leadership in opening finance to low income entrepreneurs across Asia, through strong sustainable microfinance organizations. He has over 20 years experience with ADB, specializing in economics and international trade.

Mr. Norbert Walter

Mr. Walter is the head of Financial Systems Development in the GTZ, the organization within German economic cooperation that provides technical services and leadership in financing microenterprise intermediaries. The Government of Germany has been a leader in devising strategies for capitalizing strong local organizations, as the means to build sustainable microenterprise financing institutions.

Ms. Leila Webster

Ms. Webster is a private sector development specialist and has worked at the World Bank. She co-chairs the Donor's Committee on SME Development. Ms. Webster has written two major reports on World Bank's lessons learned from small and medium enterprise lending. She has led research on the private sector supply response in Poland, Hungary, Czechoslovakia and Russia, and has produced a study on microfinance institutions in the Sahel.

Mr. David L. Wright

Mr. Wright is the Senior Advisor for Small Enterprise Development with British ODA. Mr. Wright has many years of experience in small and microenterprise, with deep experience in South Asia and in Africa.

MEMBERS OF THE WWB BOARD AND ADVISORY COMMITTEE

Mr. Floris A.W. Bannier

Mr. Bannier is a partner of the Dutch law firm Nauta Dutilh in Amsterdam, where he practices commercial law. Mr. Bannier is a founder of WWB's affiliate in the Netherlands, served on WWB's global Board of Trustees from 1980 to 1990, and presently serves as SWWB's Legal Counsel.

Mrs. Ela R. Bhatt

Mrs. Bhatt is the founder of SEWA and SEWA Bank. She is the chair of FWWB India, a network NGO whose members offer women savings and credit facilities. Mrs. Bhatt is also a founder of Women's World Banking, and has been chair of the WWB Board of Trustees since 1988. She has served as a member of the Indian Planning Commission, and as a member of the Indian Parliament.

Dr. Mercedes Canalda

Dr. Canalda is a Board Member of Banco del Comercio, a leading commercial bank in the Dominican Republic. Dr. Canalda is the founder of ADOPEM, a strong WWB affiliate, where she served until recently as President. Dr. Canalda is an innovator in building bank-NGO collaborations, self-sustaining microenterprise lending operations, and effective approaches to non-credit services to microentrepreneurs. She was elected to the Board of Trustees in 1990.

Mrs. Sylvia Fung Chin

Ms. Chin is a partner of the worldwide law firm of White & Case. Her practice primarily involves corporate and commercial financing representing financial intermediaries. She is also a director of the Asian-American Bar Association of New York. She has been a member of the WWB Board of Trustees since 1990, where she serves as Secretary.

Ms. Ellen Johnson Sirleaf

Ms. Johnson Sirleaf is the Director of the Africa Regional Bureau of UNDP. Prior to assuming this position in 1992, Ms. Johnson Sirleaf held senior executive positions at the Equator Bank, including Director at Equator Holdings and Vice President of Equator Advisory Services. She also was a Vice President at Citibank. Mrs. Johnson Sirleaf is a Liberian national. She became a member of the WWB Board of Trustees in 1992.

Ms. Pauline W. Kruseman

In 1991, Ms. Kruseman was appointed Director of the Amsterdam Historical Museum in Amsterdam, Netherlands. Prior to this, she was in the management of the Royal Tropical Institute/Tropenmuseum in Amsterdam for twenty years. She has been a board member of WWB/Netherlands since 1984, and President since 1991. She was appointed to the WWB Board of Trustees in 1990.

Ms. Elizabeth L. Littlefield

As Senior Director at J.P. Morgan, Ms. Littlefield is responsible for the bank's capital business in Southern Europe, Eastern and Central Europe, South Asia, the Middle East and Africa. Prior to this post, she worked in corporate finance and investment management at Morgan in Paris and New York. Ms. Littlefield also worked with WWB in Africa during 1988 and 1989. Ms. Littlefield joined the WWB Board in 1990.

Ms. Rosmarie Michel

Ms. Michel, a leading entrepreneur in Switzerland, has been a partner and managing director of a family-owned business since 1956. She serves on the boards of a leading Swiss bank and several major Swiss companies. She has been active in the International Federation of Business and Professional Women, having served as President of the International Federation, and as President of the Swiss Federation. Ms. Michael has been a member of the WWB Board since 1986, and Vice Chair since 1992.

Mr. Karl Osner

Mr. Osner is a leader in participative approaches to grassroots economic development, and to banking with the poor. For many years he was Director in the German Ministry of Economic Cooperation, where he helped increase the focus on poverty alleviation and rural finance. Mr. Osner is Vice-President of the German Catholic Commission for Justice and Peace and Director of the Exposure and Dialogue Program. He has been a member of the WWB Board since 1992.

Mrs. María Elena Ovalle de Vigneaux

Ms. Ovalle de Vigneaux is a leading banker in Chile. After holding various management positions in the Central Bank of Chile, for the past ten years she has been the Director of the Instituto de Estudios Bancarios “Guillermo Subercaseaux” in Chile. This is the leading source of financial training for the commercial banking and other sectors. Ms. Ovalle is the founding president of FINAM, WWB’s affiliate in Chile. Ms. Ovalle joined the WWB Board in 1992.

Ms. Inger Elisabeth Prebensen

Ms. Prebensen, a leading woman banker in Norway, is Managing Director and Chief Executive Officer of PostBank in Oslo. Ms. Prebensen joined the WWB Board in 1994.

Ms. Jennifer Riria-Ouko

Ms. Riria-Ouko is a strong leader of the WWB network at the local, regional and global levels. As managing director of Kenya Women’s Finance Trust, the WWB affiliate in Kenya, she played a key role in helping the affiliate achieve significant growth, credibility and impact. Ms. Riria-Ouko was elected a member of the WWB global Board of Trustees in 1994.

Ms. Deanna Rosenswig

As the Executive Vice President for International Markets, Financial Institutions and Governments at the Bank of Montreal, Ms. Rosenswig is among the most senior Canadian bankers. Ms. Rosenswig has strong experience in corporate and international finance. She is a Director of the Calmeadow Foundation and of Sunnybrook Health Sciences Center. Ms. Rosenswig is Coordinator of the WWB Advisory Committee, she has been WWB’s Vice Chairperson, and served on WWB’s global Board of Trustees from 1985 to 1992.

WWB AFFILIATE LEADERS

Ms. Éva Bakonyi

Ms. Bakonyi is Director of the Soros Foundation in Hungary, and co-chair of the WWB affiliate in Hungary. This organization is pioneering the drive to provide access to credit for low income women in Central Europe.

Ms. Madhura Chatrapathy

Ms. Chatrapathy is the President of AWAKE, a WWB affiliate in Bangalore, India. AWAKE is comprised of over 300 women leaders of small and medium enterprises who work with low income women entrepreneurs through mentoring, enterprise training and networking arrangements. AWAKE also works with commercial banks to open access mechanisms for women in small and microenterprise.

Ms. Vijayalaksmi Das

Ms. Das is the Executive Director of FWWB-India. FWWB India is made up of over 100 NGOs and other grassroots organizations throughout India who organize women’s savings and credit groups. Ms. Das has been active in building apex funding mechanisms that provide the linkage between the development banks and NGOs. FWWB India is also active in research, policy impact and training of NGOs and banks.

Ms. Vidya Ramachandran

Ms. Ramachandran is the Vice Chairperson of FWWB India, and the Program Officer of MYRADA. FWWB-India and MYRADA have been leaders in working with and training managers and loan officers of development and commercial banks on how to provide alternate credit systems with low income women in rural savings groups.

Ms. Jayshree Vyas

Ms. Vyas is Managing Director of SEWA Bank. SEWA Bank has been a leader in demonstrating that poor women can run a profitable bank that opens poor women’s access to financial services.

WWB GLOBAL TEAM MEMBERS WHO PARTICIPATED IN THE POLICY FORUM

Ms. Nicola Cunningham Armacost

Ms. Armacost, a British national, is the WWB Communications Coordinator. Trained as a lawyer, Ms. Armacost has worked with non-profit organizations in the area of communications and legal advocacy. Her academic work and writing has been focused on the legal regulation of women workers, particularly the self-employed.

Ms. Nancy Barry

Ms. Barry has been President of Women's World Banking for the past five years. Prior to this, she pioneered the World Bank's work in small and medium enterprises, and built operations in Latin America, Asia, and Africa. She was Division Chief for Industry globally, and Division Chief for Public Sector Management in Latin America. Ms. Barry chaired the Donor's Committee on Small and Medium Enterprises, and headed several World Bank task forces.

Mr. Donald Creedon

Mr. Creedon is the Personal Computer Coordinator at WWB. He has extensive experience in word processing, desktop publishing and business graphics programs. Mr. Creedon is a native of Ireland.

Ms. Ruth Goodwin

Ms. Goodwin is the Coordinator of Financial Products and Services at WWB. Ms. Goodwin has worked for the Australian Foreign Service, and managed her country's relief and development program in Ethiopia during the famine. She has researched squatter settlement improvement at the University of Madras. Ms. Goodwin is a native of Australia.

Ms. Phyllis Wanjiku Kibui

Ms. Kibui, WWB's Africa Regional Coordinator, is a Kenyan national. She has worked as Group Chief Accountant of the Serena Group of Hotels in East Africa. Ms. Kibui was Finance and Administration Manager of the Kenya Rural Enterprise Program where she had responsibility for financial management. She has been a member of the WWB Affiliate, Kenyan Women's Finance Trust.

Ms. Ferne Mele

Ms. Mele, a citizen of Italy, has been involved with Women's World Banking since 1983, and helped start the Italian affiliate in 1984. She joined WWB again in 1994 as Development Coordinator. Her experience includes research with Euromobiliare, an investment bank based in Milan, Italy, and as a consultant with IFAP, the management training institute of the IRI group in Rome.

Ms. Nina Nayar

Ms. Nayar, WWB's Acting Asia Coordinator, is a citizen of India. She has worked with the Self-Employed Women's Association (SEWA) in Ahmedabad, India, where she spent six months researching grass roots development issues, in particular the organization of women's cooperatives in rural and urban areas.

Ms. Jo Ann Schop

Ms. Schop, recently joined WWB as Policy and Research Assistant. She brings several years of experience in development. Prior to joining WWB, she was the Assistant Resident Representative for the UNDP in Vietnam.

Ms. Hiromi Shimazu

Ms. Shimazu, a citizen of Japan, recently joined WWB as the Executive Assistant to the President. Trained in business law, Ms. Shimazu has worked extensively with both Japanese and American companies and banks.

Ms. Maria Eugenia Vaca

Ms. Vaca, WWB's Latin America and the Caribbean Coordinator, is a citizen of Ecuador. She brings more than twenty years of experience as a banker with specialization in human resource administration and training. For many years she served as the Executive Director of the Banking and Finance Training Center in Ecuador.