



THE FOUNDATION FOR
DEVELOPMENT COOPERATION

**FIVE YEARS ON:
THE MICROCREDIT SUMMIT CAMPAIGN
AND
THE DEVELOPMENT OF MICROFINANCE
IN ASIA AND THE PACIFIC**

By

Pascal Marino

April 2003

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**Microfinance Program Officer
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¹ Asia is limited here to South Asia and East Asia sub-regions.



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List of acronyms

ACLEDA	Association of Cambodian Local Economic Development Agencies (Cambodia)
AIM	Amanah Ikhtiar Malaysia (Malaysia)
A-IWC	All-India Women's Conference (India)
AROA	Adjusted Return on Assets
ADB	Asian Development Bank
AKRSP	Aga Khan Rural Support Programme (Pakistan)
ARDPAS	Association for Rural Development of Poor Areas in Sichuan (China)
ASA	Association for Social Advancement (Bangladesh)
BAAC	Bank for Agriculture and Agricultural Cooperatives (Thailand)
BancoSol	Banco Solidario (Bolivia)
BDB	Bank Dagang Bali (Indonesia)
BKD	Village-owned credit organisation (Indonesia)
BPR	People's credit bank (Indonesia)
BRAC	Bangladesh Rural Advancement Committee (Bangladesh)
BRI	Bank Rakyat Indonesia (Indonesia)
BSP	Bangko Sentral ng Pilipinas (Philippines)
BWTP	Banking With The Poor network
CARD	Center for Agriculture and Rural Development (Philippines)
CASHPOR	The network for Credit And Savings for the Hard-core Poor
CBO	Community Based Organisation
CDF	Credit Development Forum (Bangladesh)
CEP	Capital aid fund for Employment of the Poor (Vietnam)
CGAP	Consultative Group to Assist the Poorest
CHI	CASHPOR House Index
CIDA	Canada International Development Agency
CRS	Catholic Relief Services
EMT	Ennathian Moulethan Tchonnebat (Cambodia)
FDC	The Foundation for Development Cooperation
FINCA	The Foundation for International Community Assistance
FPC	Funding the Poor Cooperative (China)
FWWB	Friends of Women World Banking (India)
GNP	Gross National Product
GRET	Groupe de Recherche et d'Echanges Technologiques
GTZ	Government-owned Corporation for international cooperation (Germany)
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
ImpAct	Improving the impact of Microfinance on poverty: an Action-research programme
KUD	Village Cooperative Unit (Indonesia)
MBB	Microbanking Bulletin
MC	Microcredit
M-CRIL	Micro-Credit Ratings International Ltd
MCS	Microcredit Summit
MFI	Microfinance Institution
NABARD	National Bank for Agriculture and Rural Development (India)
NGO	Non-Governmental Organisation
OMB	Opportunity Microfinance Bank (Philippines)
PaR	Portfolio at Risk
PCF	People's Credit Fund
PCFC	People's Credit and Finance Corporation (Philippines)



PKSF	Palli Karma-Sahayak Foundation (Bangladesh)
PMN	Pakistan Microfinance Network (Pakistan)
PPAF	Pakistan Poverty Alleviation Fund (Pakistan)
PPP	Purchasing Power Parity
PWR	Participatory Wealth Ranking
RCC	Rural Credit Cooperatives (China)
RDMC	Rural Microfinance Development Centre (Nepal)
RRDB	Regional Rural Development Bank (Nepal)
RSRF	Rural Self Reliance Fund (Nepal)
SEEDS	Sarvodaya Economic Enterprises Development Society (Sri Lanka)
SEWA	Self Employed Women Association (India)
SHARE	Society for Helping Awakening Rural poor through Education (India)
SHG	Self Help Group
SIDBI	Small Industries Development Bank of India (India)
SME	Small and Medium Enterprises
TCCS	Thrift and Credit Cooperatives Society (Sri Lanka)
TYM	Tau Yeu Mai (Vietnam)
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UNICEF	United Nations International Children's Fund
UNIFEM	United Nations Development Fund for Women
UN-ESCAP	UN Economic and Social Commission for Asia and the Pacific
USAID	United States Agency for International Development
VBARD	Vietnam Bank for the Poor (Vietnam)
YUM	Yayasan Usaha Maju (Malaysia)
WOCCU	World Council of Credit Unions
WB	World Bank
WWB	Women World's Banking
WWF	Working Women's Forum (India)



Executive Summary

Started in 1997, the Microcredit Summit (MCS) Campaign has been one of the major forces behind the dissemination of microfinance theories and practices, with the postulate of 'ensuring that 100 million of the world's poorest families are receiving credit for self-employment and other financial and business services by the year 2005'. This paper examines the development of the MCS Campaign over the last five years, using the development of microfinance in Asia and the Pacific as a field of study

The campaign

The MCS Campaign has contributed to the understanding of microfinance principles by the general public and disseminated a set of best practices throughout the world. It has also reaffirmed the relevance of microfinance to poverty alleviation. However, the Campaign has not always been consistent, probably due to a lack of continued funding and general public attention given to one-off international meetings rather than to a continued campaign. The Campaign has also been misused as a soapbox for promoting different agencies and a small circle of organisations, while too narrowly focusing on the Grameen Bank and its replications around the world, ignoring a wide range of other successful approaches in microfinance.

Held in New York in November 2002, the Microcredit Summit +5 was opened by Vicente Fox, President of Mexico. This meeting could be seen under different perspectives. Despite its high ideological and political content, the Summit provided some inspiring and valuable information, in regards to the need to develop innovations, to bring the commercial banking sector into microfinance, and to encourage favourable regulatory frameworks. However, it also provided an incomplete and confusing message to microfinance supporters.

The Development of microfinance in Asia and the Pacific (1997-2002)

South Asia, seen as the birthplace of modern microfinance, houses the largest microfinance institutions in the world, in terms of outreach, and also in terms of poverty focus and sizes of loan portfolios. Based on two different benchmarking tools (M-CRIL ratings and the Microbanking Bulletin), analysis shows the diversity of actors in the region, where large and prosperous organisations serve as example for nascent, financially weak organisations with a strong potential for growth. The paper reviews recent developments in the microfinance sectors in Bangladesh, India, Pakistan, Sri Lanka and Nepal.

In East Asia, there is also a vast diversity of models and levels of development in microfinance. Large scale, viable models were developed by formal financing institutions as showcases in Indonesia and Thailand. On the other hand, NGOs have a strong presence in the Philippines and Cambodia, while in China and Vietnam central government programs and associated NGOs have developed new initiatives

In the Pacific, Microfinance is still in an embryonic phase, provided through informal sources (friends and relatives, moneylenders, self-help groups), semi-formal sources (credit unions, finance companies, NGOs, village banks and government agencies) and formal sources (development and commercial banks). Despite the achievements by several organisations in savings mobilisation and loan repayment, none have yet achieved operational self-sufficiency.

Recent developments in the Grameen Bank and the MCS Campaign in Asia

In Asia, Grameen Bank has been the flagship for the MC Summit and also for the microfinance sector for more than two decades, with outstanding achievements but also disappointments in recent years. Grameen Bank has been replicated in around hundred programs operating in more than forty developing and industrialised countries. Because of the extensive literature on the subject, this paper only summarises Grameen Bank's successes over the years, and highlights recent issues related to transparency and repayment rates. CASHPOR, the network of Grameen replications in Asia, which comprises twenty or so organisations, includes five organisations that have achieved great success, measured by the growing number of borrowers, but also some other members which have faced difficulties.

The Asia region is of great importance for the MCS Campaign, being home to 1,000 of the 3,500 reporting institutions, and including 83% of the 26.7 million of the poorest clients reached by microcredit. The MCS



Campaign has traditionally used the Grameen Bank and its replications as showcases in its activities and related publications. Despite this heritage, in 2002, NABARD achievements took a central role in the Campaign, first included in the annual progress report 2002 and then praised during the MC Summit+5.

A year earlier, the MC Summit Campaign had organised the major regional microfinance in Asia, the Asia-Pacific Region MC Summit Meetings of Councils, which took place in India in February 2001. The objective of the meeting was 'to talk about challenges facing the microcredit field in Asia'. The paper summarises the major outcomes of this meeting.

In the Pacific, the limited development of microfinance and the fact that it would never reach large numbers had resulted in a very low level of campaigning in the region. This has been compounded by a lack of activities organised in the region and the absence of Pacific islanders among panellists and presenters in MC Summit events.

Contribution to the Campaign

Reaching that the 100 million target is still a remote and difficult objective, as only 27 million of the world's poorest have been given access to microcredit after five years in the nine-year Campaign. This paper provides some suggestions for improvement in the Campaign, a modest contribution towards the achievement of the MC Summit goal. The Campaign's capacity to fulfil its goal is linked to the satisfaction of a triple need. First, there is a need to decentralise the Campaign's activities and structure, bringing the Campaign from Washington DC to the Third World, second there is a need to concentrate the Campaign's efforts and to rationalise its activities, finally there is a need for the Campaign to embrace the diversity of actors and approaches in microfinance.



Introduction

Started in 1997, the Microcredit Summit (MCS) Campaign has been one of the major forces behind the dissemination of microfinance theories and practices, and has initiated further discussions on the huge potential spelled out by microfinance institutions (MFI) in the fight against poverty. Initiated and managed by RESULTS, a grassroots citizen advocacy organisation based in the United States, the MCS Campaign works with the postulate of 'ensuring that 100 million of the world's poorest families are receiving credit for self-employment and other financial and business services by the year 2005' (Microcredit Summit Campaign, 2003).

The campaign has had a significant influence and impact on the development of microfinance for the last five years. Since the first MC Summit in 1997, the campaign has been supported by a series of international and regional meetings where research and discussion papers were widely disseminated, each time making sure that poverty alleviation remained at the centre of microfinance.

Five years later, halfway through the campaign and following the recent MC Summit +5 held in New York in November 2002, it is appropriate to assess the progress made.

This paper examines the development of the MCS Campaign over the last five years, using the development of microfinance in Asia and the Pacific as a field of study. There are different reasons for putting specifically the Asia-Pacific region under the microscope.

First, the region includes two third of the world poor (World Bank, 2001) and if a significant impact can be achieved on poverty reduction, this is the region in which to start. Five countries - Bangladesh, India, Indonesia, China, and Pakistan - represent almost 90% of Asian's poor (UNDP, 2002).

Second the region provides great diversity in terms of microfinance experiments, trends and contexts, from the highly impoverished and densely populated countryside of South Asia to the sparsely populated developing Pacific Island states.

Third, this paper broadly uses the experience and research work of the Foundation for Development Cooperation over the last decade, which has focused on Asia and the Pacific, mainly through the Banking with the poor project and network (www.bwtp.org) and other research and capacity-building initiatives.

This paper aims to describe the parallel and intricate development of the Campaign and the incipient microfinance industry throughout the region. In its first part, this paper summarises the MCS Campaign during the last five years, highlighting its progress and the recent organisation of the MC Summit +5. In the second part, the paper discusses the most important achievements in the development of microfinance over the period 1997-2002, in South and East Asia, highlighting trends, new leaders, and progress towards greater outreach. In its third part the paper focuses on the development of the MCS Campaign in Asia, and the development of its flagship organisation, the Grameen Bank and its network of replications in Asia, CASHPOR. Finally, in its closing and fourth part, the paper brings a modest contribution towards the achievement of the MC Summit goal with some suggestions for improvement in the MCS Campaign.

The research supporting this paper was conducted mainly through the analysis of MCS Campaign documents, website visits and attendance at international conferences. This work was completed by the review of documents published on microfinance in Asia since 1997 and the personal interaction of the author with several microfinance actors in Asia and throughout the world.

1. The Microcredit Summit (MCS) Campaign

1997-2002: five years of campaign for the poor

The MCS Campaign was initiated in Washington DC in 1997 with the first MC Summit that gathered more than 2,900 people from 137 countries. The goal of the campaign is to 'work to ensure that 100 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the year 2005' (Microcredit Summit Campaign, 2003).

The campaign organisers, RESULTS, have chosen to focus on four core themes:

1. reaching the poorest
2. reaching women
3. building self-sufficient financial institutions
4. ensuring impact

Main document: MCS Campaign Declaration and Plan of Action

The 'seminal' document of the Campaign is the "Microcredit Summit Declaration and Plan of Action", inspired by the example of previous summits and campaigns led by the United Nations (UN) such as the World Summit for Children, the Cairo Conference on Population, the Social Summit in Copenhagen, and the Women's Conference in Beijing. The most influential event for microcredit was certainly the Social Summit held in Copenhagen in 1995 promising to 'cut absolute poverty in half by the year 2015', and could be seen as the birth place of the MC Summit and its ideology. In addition, the MCS Campaign took multiple examples from the work of UN agencies, in particular from the United Nations Development Program (UNDP), the United Nations International Children's Fund (UNICEF) and the International Fund for Agricultural Development (IFAD). A similar message was also present in the credo of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) during the Asia-Pacific Conference on Microfinance and Government held in Bangkok in March 2002, calling for a deepening of microfinance services to reach the 'ultra-poor' (UNESCAP, 2002).

One could also see the MC Summit created in opposition to the establishment of the World Bank's Consultative Group to Assist the Poorest (CGAP), in 1996, bringing at that time a more financial approach to microfinance and poverty reduction.

The MC Summit Declaration and Plan of Action was issued as an official United Nations document, and published in all six official UN languages. Subsequently, the UN General Assembly passed on December 1997 a resolution on the 'role of microcredit in the eradication of poverty' mentioning the pivotal role of the MCS Campaign and declaring 2005 'the year of microcredit'.

In the initial declaration and plan of action, there is already a clear preference in the Campaign for what would become 'role model' organisations, such as the Grameen Bank, BRAC and FINCA. Despite the achievements of these lead figures, some cases used at the beginning of the campaign will sometimes fail over the long run.

The Action Plan includes four major elements:

1. Meeting the financial needs of the movement

In 1997, the MCS Campaign estimated at US\$21.6 billion the fund needed for providing access to microcredit (MC) to 100 million families (Microcredit Summit, 2003). Besides the doubts cast on the justification of this impressive figure, which represents a third of the global aid budget in 2001, it reminded us of the huge task of bringing more donors and investors to support the growing microfinance industry. Subsequent papers would be written on the subject, by Muhammad Yunus, managing director of the Grameen Bank, 'How Donor Funds Could Better Reach and Support Grassroots Microcredit Programs Working Towards the Microcredit Summit's Goal and Core Themes' (Yunus, 1999), which was subsequently reshaped and narrowed down by the PSKF general manager, Mr. Salehuddin to 'Creating Autonomous National and Sub-Regional Microcredit Funds' (Salehuddin, 2001). Raising more funds for microcredit will remain a central theme in the campaign throughout its international meetings.



2. Building Institutional Capacity in the Developing World

The MCS Campaign includes a capacity-building component, delivering day-long training during regional or international events, producing numerous training and informative documents, multi-media kits and employing two regional organisers in Asia and Africa to provide two-hour classroom sessions on poverty targeting tools.

3. Building Institutional Capacity in the Industrialised Nations

The MCS Campaign also aims at developing awareness and capacity among practitioners, donors and other microfinance actors located in developed countries.

In this regards, some researchers (Johnson and Kinder, 1999) note that the Microcredit Summit have used a very energetic media campaign to support microcredit and transform it into an essential tool to fight poverty. This is described as a 'global marketing campaign aimed at increasing the market share of credit in poverty alleviation strategies.' Through this media awareness campaign, its name and ideological content, the Summit has also perpetuated the bias towards credit, leaving aside the 'forgotten half' of microfinance, savings mobilisation.

According to the same authors (Johnson and Kinder, 1999), the Summit is likely to have increased donor awareness of microcredit and their level of funding, even if little evidence existed that microcredit would make a larger contribution to poverty reduction compared to investments in infrastructure, education and agriculture.

4. Fulfilment of the Summit's Goal

The goal of the MC Summit would be achieved through three vehicles: Institutional Action Plans (IAP), MC Summit Councils, and the Secretariat and the Campaign committee.

Institutional Action Plans (IAP)

IAPs are the basic reports on poverty outreach and projections used by each organisation and are supposed to be submitted and updated on a yearly basis. Unfortunately, they have too rarely been in the forefront during MC Summit meetings, perhaps not seen as relevant in the daily work of many campaigners and might be perceived as imposed requirements for conference participation or as a way to keep track of abstract numbers. However, the IAPs constitute a unique source of information and could be used to disclose region-wise data or to benchmark methodologies and countries within a region or sub-region.

MC Summit Councils

Fifteen councils have been created, to facilitate information sharing, registration of new members and the fulfilment of action plans. They gather groups as diverse as parliamentarians, governmental and donor agencies, religious organisations and others. Surprisingly Non-Governmental Organisations (NGOs) and 'practitioners' represent two different councils, though one would think that NGOs are practitioners by nature. In fact, the MC Summit councils seem to be more a compilation of lists of organisations having some interest in microcredit and affinities with the MC Summit objectives, which nevertheless could be quite useful in terms of inventory and networking purposes. During international meetings, councils are vehicles for forming homogeneous group of people with presumably common interests. In fact, few of the councils' leaders and council meetings have been agents of change and action.

The council of banks and commercial finance institutions include a very limited number of institutions, illustrating the aversion of banks to report to the MC Summit, despite the fact that some of them will reach the poorest on a large scale. The inclusion of some financial institutions in the group of practitioners might also create some confusion.

Secretariat and Campaign Committee

According to the MC Summit official documents, the Secretariat and the Campaign Committee are responsible for the quarterly Newsletter Countdown 2005, website (www.microcreditsummit.org), media coverage, representation of the Summit at conferences, production of regular progress reports and the dissemination of MC Summit materials.



Website (Microcredit Summit Campaign, 2003)

Despite the impressive amount of materials collected over time and available on the website, one could doubt of the quality of ‘best practices’, sometimes summarised by an old WOCCU brief on ‘savings mobilisation’ or by two isolated and limited case studies on ‘moving towards institutional sustainability’, issued from Bangladesh and Latin America some years ago and related to organisations still dependent on donor funding in 2003. One could also cast doubt on the level of activity and soundness of the website if he/she tries to participate to the discussion forum, with most postings dating from 1997 or 1998, or to link to the site of Estrellamar (still listed in ‘links’, despite the scandal surrounding an organisation forced to closed down some years ago, its manager investigated by police, and huge amounts of savings misappropriated).

Newsletter “Countdown 2005”

Nine newsletters have been produced in three years, between August 1997 and August 2000, providing an important soapbox to donors, featured on the front page of each edition, reporting on their involvement as UN agencies, bilateral or multilateral organisations (Microcredit Summit Campaign, 1997-2000).

In addition to donors, newsletters have highlighted a specific approach to microcredit, featuring Grameen Bank and replications at least a dozen times, and otherwise providing publicity for ‘role model’ organisations such as FINCA, Freedom from Hunger, BRAC and Opportunity International. Since August 2000, no newsletter has been produced by the Secretariat. It was replaced only in March 2003 by *Microcredit Summit E-News*, a web-based update on the Campaign.

Summary of Campaign events and publications

Year	Event	Location	Attendance
1997	Microcredit Summit (Feb 2-4)	Washington DC, USA	2,900 people (137 countries)
1998	Meetings of Councils (June 25-27)	NYC, USA	1,000 people (107 countries)
	Southern Africa Region MC Summit (Sept. 22-25)	Lusaka, Zambia	300 people (13 countries)
1999	Meetings of Councils (June 24-26)	Abidjan, Ivory Coast	600 people (85 countries)
	<u>Papers presented</u> 1. <i>The Microcredit Summit's Challenge: Working Towards Institutional Financial Self-Sufficiency while Maintaining a Commitment to Serving the Poorest Families</i> (David Gibbons, & Jennifer W. Meehan, CASHPOR) 2. <i>Measuring Transformation: Assessing and Improving the Impact of Microcredit</i> (Opportunity International & Centre for Development Studies – Bath University) 3. <i>Overcoming the Obstacles of Identifying the Poorest Families: Using Participatory Wealth Ranking (PWR), the CASHPOR House Index (CHI), and Other Measurements to Identify and Encourage the Participation of the Poorest Families, Especially the Women of Those Families</i> (Anton Simanowitz, IDS Sussex, Ben Nkuna, The Small Enterprise Foundation, South Africa, Sukor Kasim, Women’s Development Banking Trust, South Africa) 4. <i>How Donor Funds Could Better Reach and Support Grassroots Microcredit Institutions Working Towards the Microcredit Summit's Goal and Core Themes</i> (Muhammad Yunus, Grameen Bank)		
2000	Africa Region MC Summit Meetings of Councils (Oct 8-12)	Harare, Zimbabwe	580 people (39 African countries and 50 other)
	<u>Papers presented</u> 5. <i>Creating Autonomous National and Sub-regional Microcredit Funds</i> (Dr. Salehuddin Ahmed, PKSF) + Updates of papers No.1, 2, and 3		

2001	Asia-Pacific Region MC Summit Meetings of Councils (Feb 1-5)	New Delhi, India	660 people (20 Asian countries and 32 other countries)
	<u>Papers presented</u> Papers updated and created in 2000: No.1,2,3 and 5		
	Latin America and Caribbean Councils' Regional Meeting (Oct 9-12)	Puebla, Mexico	Not reported
	<u>Papers presented</u> Papers updated and created in 2000: No.1,2,3 + Update of paper No.5		
2002	Microcredit Summit +5 (Nov 10-13)	New York City, USA	>2,000 people (>100 countries)
	<u>Papers presented</u> (compiled in the book "Pathways Out of Poverty: Innovations in Microfinance for the Poorest Families) 6. <i>Ensuring Impact: Reaching the Poorest while Building Financially Self-Sufficient Institutions, and Showing Improvement in the Lives of the Poorest Women and Their Families</i> (Anton Simanowitz, ImpAct, IDS – University of Sussex) 7. <i>Building Better Lives: Sustainable Integration of Microfinance with Education in Child Survival, Reproductive Health, and HIV/AIDS Prevention for the Poorest Entrepreneurs</i> (Christopher Dunford, Freedom from Hunger) 8. <i>Innovations from the Field: A Daringly Brief Summary of a Huge Phenomenon</i> (John Hatch, FINCA International) 9. <i>Empowering Women Through Microfinance</i> (Susy Cheston & Lisa Kuhn, Opportunity International) 10. <i>Financing Microfinance for Poverty Reduction</i> (David Gibbons & Jennifer Meehan, CASHPOR) 11. <i>Policies, Regulations and Systems that Promote Sustainable Financial Services to the Poor and Poorest</i> (Women's World Banking)		

Related to the events, there has been no formal report published on the 1998 Meeting of Councils in New York City, thereby limiting a larger impact on the microfinance community. Moreover, western views, organisations, presenters, and panellists have sometimes overshadowed the regional aspect of some meetings, for example giving a limited voice to African speakers and organisations in Abidjan and Harare (Microcredit Summit Campaign, 1999 and 2001).

Latin America and the Caribbean region seems to be a forgotten "spot" on the MC Summit map, without any regional campaign co-ordinator, a limited presence in councils and reported figures, and no formal report or press releases on the outcomes of the regional meeting held in Mexico in 2001. One would question this negligence of the MC Summit organisers towards Latin America. Despite lower poverty levels, some acute problems persist throughout the region, for example in Bolivia, Nicaragua, Honduras, Haiti and other areas. A possible explanation could come from the strength of commercialisation followers in the region, Compartamos in Mexico and Bancosol in Bolivia being examples of business-minded microfinance leaders in Latin America. These leaders seem to have fallen out of the MC Summit agenda at international level, but also at regional level, having been given a limited role in the regional meeting.

On the positive side...

The MCS Campaign has contributed to the understanding of microfinance principles by the general public and disseminated a set of best practices throughout the world. It has also reaffirmed the relevance of microfinance to poverty alleviation. It has avoided the temptation to sell its "social soul" to the financial sector, and has also provided some concrete tools and showcases in the fight against poverty. Moreover, thanks to the MCS Campaign, the whole microcredit movement has been recognised as an important stream of development, illustrated by a UN resolution and official documents.

The Campaign encouraged the use of poverty assessment tools, now disseminated at the grassroots' level, which has pushed CGAP to develop its own tool and reposition its strategy.



The Campaign has also been an opportunity to produce and discuss interesting and sometimes challenging papers giving a common base of understanding to the microfinance community. The Campaign has provided some much-needed attention to specific subjects such as HIV/AIDS, which was debated at length during the African regional meeting (Microcredit Summit Campaign, 2001)

The international forum provided by the MCS Campaign has provided a platform for Muhammad Yunus' vibrant and passionate appeals for poverty 'to be placed in a museum'. These actions have increased donor funding, motivated practitioners and sustained advocacy activities towards the highest international and national political spheres.

Finally, the different international meetings have been a unique opportunity for people to exchange experiences, learn from each other in order to better serve the poor clients through microfinance services.

On the negative side...

The MCS Campaign has not always been consistent and rigorous, probably due to a lack of continued funding and general public attention given to one-off international meetings rather than to a continued campaign. This lack of continuity has been illustrated by the turnover in Council chairs and co-chairs, with six - including the World Bank director - leaving in 1999, but also by the interruption of newsletters publication and an outdated website.

The Campaign has also been misused as a soapbox for promoting different UN and donor agencies, as well as for a small circle of US-based organisations. These organisations have sometimes hitched their own publicity interests to the overall objective of the campaign.

The Campaign headquarters are located in Washington DC, where the first Summit also took place, while the last Summit was held in New York. This choice of location could seem at odds with the pro-poor message of the campaign.

Finally, the MCS Campaign has been too narrowly focused on the Grameen Bank and its replications around the world, ignoring a wide range of other successful approaches in microfinance. The campaign has also supported the so-called "credit plus" methodology while minimising the value of more minimalist, large-scale microcredit and microsavings approaches, apart from its focus on the Grameen Bank model. If poorly implemented and funded, the credit plus methodology could be a potential source of problems, damaging organisational sustainability and adding debt to borrowers for services that would otherwise be delivered for free.

Campaign statistics and projections

The table below aggregates the cumulative figures of clients reached by microfinance programs reporting to the MCS Campaign (left columns) and presents the annual growth in the number of poorest clients reported to the Campaign, in percentage and numbers each year (right columns).

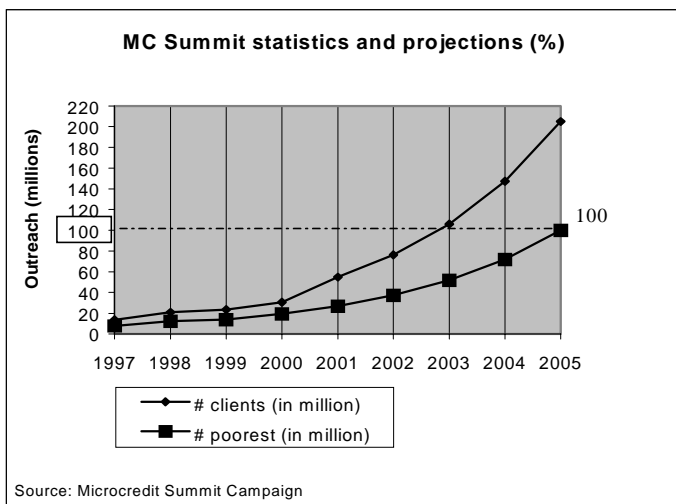
The last line presents five-year average growth in reported figures, which are the base for projections presented under hypothesis 1 (growth in percentage) and hypothesis 2 (growth in total number).

Year	Cumulative reporting data from MCS participants				Average growth in the number of clients reached (among the poorest) ²	
	# Reporting organisations	# clients reached	# clients (women poorest) reached	# clients (poorest) reached ²	% annual increase	Number of clients added
	(cumulative)	(in millions)			(in millions)	
1997	618	13.5		7.6		
1998	925	20.9	8.8	12.2	60.5%	4.6
1999	1,065	23.5	10.3	13.8	13.1%	1.6
2000	1,567	30.7	14.2	19.3	39.9%	5.5
2001	2,186	54.9	21.1	26.8	38.9%	7.5
Five year Averages					39%	4.8
					(Hypothesis 1)	(Hypothesis 2)

² Indicator used for the overall goal of the MCS Campaign of reaching 100 million clients among the poorest.

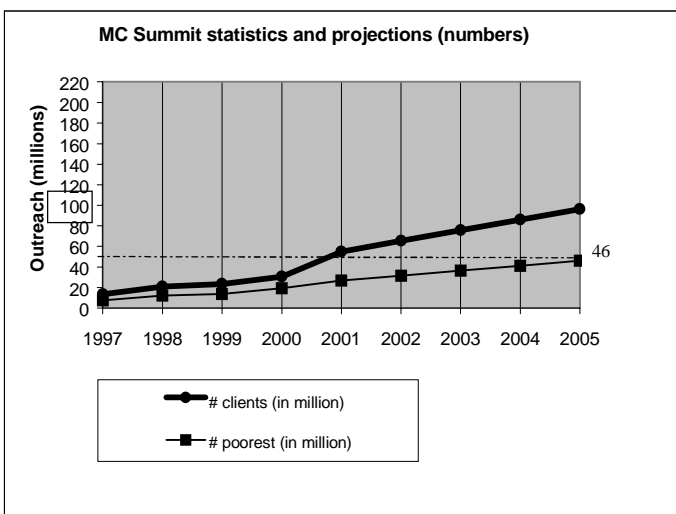
Based on five-year average figures, presented in the last line of the table above, projections can be made on two different hypotheses. Hypothesis 1 will display projections based on a 39% average increase in clients reported to the MCS Campaign over the last five years. Hypothesis 2 will show different projections based on an average 4.8 million clients added to the MCS Campaign figures over the same period.

Hypothesis 1 (projections): constant 39% increase of poorest clients reported



Based on the existing data (Microcredit Summit Campaign, 2000-2002) and an average annual increase of 39% of clients belonging to the poorest category (as experienced in 2000 and 2001), the Campaign should be able to reach the mark of hundred million of the world's poorest having access to microcredit by 2005. However, reaching the 100 million mark implies keeping a very high average growth rate (39%) with the assumption that a large number of people will be reached in the next four years. It implies quadrupling the current outreach numbers and bringing microcredit to almost 75 million of the world's poorest people, taking into consideration that only 25 million have been reached in the last four years.

Hypothesis 2 (projections): constant 4.8 million increase of poorest clients reported



Taking a different projection method, based on the average number of total people added to the MCS Campaign figures each year (4.8 million), the graph demonstrates that only around 46 million people among the poorest will be reached by 2005. These results should be taken into consideration when assessing the efforts to be made during the remaining four years of Campaign. It is important to note that the Campaign has widened its definition of the poorest in 2001, with the US\$1 Purchasing Power Parity (PPP) a day added to the bottom half of national poverty lines. This measure could increase significantly the number of poorest reported in coming years.

In general, the statistics released by the MCS Campaign over the years have also provided some interesting lessons (Microcredit Summit Campaign, 2000-2002).

For example, the inclusion in the Campaign of new organisations contributed significantly to the overall goal. Fifty-seven percent of the growth between 2001 and 2002 came from institutions reporting for the first time, such as NABARD and its 3,1 million poorest clients being added to the campaign. Another lesson is also that the Campaign goals' achievement depends on a core group of large organisations. Fifty-five percent of the poorest are served by twenty-nine organisations. Among them, only five organisations (Grameen Bank, BRAC, Proshika and ASA in Bangladesh, National Family Planning Co-ordination Board in Indonesia) reached more than 1 million of the poorest, representing 31.6% of the total reached.

On the other hand, five of the ten largest contributors to the MCS Campaign's goals, i.e. microcredit access to the poorest, are governmental programs or public organisations, which are by definition unsustainable and less likely to be replicable on strict commercial terms. This element could cast some doubts on the long-term impact of the Campaign if reported figures rely too heavily on subsidised programs with unclear future prospects for growth.

The Microcredit Summit +5

A political event

The MC Summit + 5, with the underlying objective of reaching the poorest, was opened on the 10th of November 2002 by a Mexican dance company performing on the stage of the luxurious Grand Ballroom of the Hilton Hotel in New York. In the same ballroom this show, and the rest of the Summit, was also broadcast by two huge video screens to more than 2,500 privileged people. It underscored the contrast between this opulent place and the pro-poor message of the .

Vicente Fox, President of Mexico and Chair of the MC Summit+5 opened the Summit with Mexico's strong commitment to the fight against poverty. Unfortunately, reference was made to a goal of 100 million 'loans', rather than the more official 100 million people to be reached by the Summit, which could have created some confusion among political leaders and the audience.

In the opening ceremony, the only woman with official political responsibilities was Mrs. Isatou Nije Saidy, Vice President and Secretary of State for Women's Affairs of the Gambia, even if she owed her participation to the absence of the President of the Gambia. This is in sharp contrast with the official message of reaching and empowering women. It seems reasonable to expect that a Summit having this objective at a grassroots level would also advocate for the fair representation of women in opening ceremonies, panels and presentations.

The Deputy Prime Minister of Thailand, Dr. Pommin Lertsuridej, provided an interesting perspective on microfinance development through governmental microfinance programs implemented in Thailand. He also referred to the effects of the financial crisis (1997-98) and the strength of microfinance in the turmoil faced by Asian economies during that period.

Despite her unofficial role, Mrs. Begum Sehba Musharraf, First Lady of Pakistan, and leader of the Pakistani delegation gave an instructive speech on the recent involvement of Pakistan in microfinance, including the Khushhali Bank and the Poverty Alleviation Fund. This is a significant commitment from Pakistan, a country with an underdeveloped microfinance sector, and 40 million poor.

The following day, it was the turn of Hillary Clinton, Senator of New York, to deliver a powerful speech, expressing the need to know 'what works and what doesn't work' in microfinance. She also pointed out that microfinance was not to scale yet, and that further support from the United States was needed. Recognising the work of Hernando de Soto (De Soto, 2000) on the resources of the poor, she launched a vigorous attack on the banking sector, which she described as a tool of oppression in some cases, reinforcing the opposition between rich and poor, between the powerful and the powerless.

In the closing dinner ceremony, the reform-minded US Secretary Treasurer, Paul O'Neill, mentioned that the United States was working with the World Bank to set up a small business loan program to spark entrepreneurship in Africa. 'The program would make investments in and loans to existing African banks and would sponsor the creation of new local banks, creating a pool of capital these banks would then lend to small businesses'. He ended his speech with the promise that 'the United States is committed to supporting the best practices in microfinance around the world.' Unfortunately, a few weeks later, he was pushed out by the US administration because of poor domestic economic results.



An ideological event

In the opening ceremony, Sam Daley-Harris, president of RESULTS and director of the Campaign, reinforced that microcredit could reach the poorest, using three tools of measurement (CHI of CASHPOR, Participatory Wealth ranking, CGAP assessment tool), while also being financially sustainable. He informed the campaign supporters that a new definition of “poorest” had been adopted by the Campaign, that is, people living with less than 1\$ PPP / day, in addition to people living in the bottom half below national poverty lines. This definition would include 1.2 billion people on earth.

Two successful case studies were chosen purposely, to illustrate the MCS Campaign in the field, SHARE in India and CRECER in Bolivia. SHARE is the largest Grameen Bank replication and CRECER is a Freedom From Hunger affiliate using a “credit plus” approach. This latter choice could be seen as a counterweight to Bancosol, also operating in Bolivia, but using a more financial approach.

In subsequent meetings, RESULTS representatives expressed the need to ‘push away from financial sustainability focus’, and to emphasise the poverty focus and means of measurement. RESULTS also communicated a major achievement in their advocacy activities in the United States, with the US Congress planning to introduce pro-poor development legislation. Within the year following legislation enactment, USAID will have to develop measurement tools to assess the poverty outreach of the microenterprise development programs and ensure that at least 50% of beneficiaries of US assistance in this sector belong to the poorest group. Within the following two years, USAID implementing partners will be required to use these tools and report to USAID accordingly. This significant breakthrough received important recognition from practitioners like FINCA who claimed that USAID increasing funding for SME was made counterproductive by the fact that “money doesn’t get there”. According to FINCA, US funds do not reach the poor because USAID missions are generally too stretched to monitor impact, and that this legislation will force them to conduct further impact studies and increase their monitoring and impact capacities.

Muhammad Yunus, Managing Director of the Grameen Bank delivered some brilliant and inspiring speeches in the opening and closing ceremonies. He provided a much-needed personification of the Campaign and its focus on the poor. Mentioning failed goals, for example education and health for all by 2000, he put emphasis on the social aspects of microfinance, which are capable of transforming human beings, and changing the world. He also acknowledged the importance of sustainability while encouraging microfinance to ‘retain its heart’ (i.e. to reach the poorest).

In the colloquium for non-practitioners, led by representatives of the Grameen Foundation USA and of the School of Management of Brigham Young University, it was surprising to discover that microfinance does not require technical skills but only good will. Through this rather informal presentation and questions and answer session, it seems that anybody in the United States (and in other developed countries) with some spare money could ‘set up his/her own village bank’ in a developing country. This confusing message was supported by the personal recollection of presenters who claimed that ‘friends have done it’.

In a different meeting, Jennifer Meehan, from CASHPOR, rightly pointed out that MFIs were not growing fast enough, one of the reasons being their weak leverage of capital to loan ratio (1 to 5). This was illustrated by the CASHPOR paper (Daley-Harris, 2002) but also by the fact that 70% of reporting MFIs were reaching less than 2,500 clients each, with the twenty-nine biggest MFIs representing more 50% of MC Summit Goal figures. The goal of reaching scale was further reinforced by Elisabeth Littlefield, CEO of CGAP. She mentioned that despite the fact that MFIs reaching the poorest could be profitable (18 of the 60 sustainable MFIs reporting to the Microbanking Bulletin) a 5 to 6% annual growth of MFIs reporting to the MC Summit was insufficient. There is a clear need for more sustainable organisations to reach scale.

David Gibbons, from CASHPOR, presented a paper on financing microcredit that was largely based on the experience of CASHPOR in India and the difficulty to raise money. Despite providing a good option for raising more funds, the paper seemed to call for ideal investments from the point of view of an MFI borrower, with investments that ‘absorb losses’, with a ‘7 to 8 year loan term’ and ‘interest rates near inflation’. Unfortunately, this type of investment is less likely to be attractive for finance lenders, as social as they may be (Daley-Harris, 2002)

Hugh Grant, CEO of Monsanto, a main sponsor of the Summit, compared improved yields of corn harvest (thanks to Monsanto's genetically modified food) to the multiplying effects of microcredit on the life of the poor. For Mr. Grant, microcredit 'creates new healthy markets for trade and exchange', and 'farmers should have free access and free to choose new technologies (...) so they can finish their working day in the field earlier'. Monsanto's commercial intentions regarding its support to the MC Summit were even more clear when Mr. Grant informed the attendees that 'small loans facilitate access to new technology', and that Monsanto was willing to 'look at new partnerships, working together to have a global reach'.

Christopher Dunford (Freedom From Hunger) and Pro Mujer continued to promote the virtues of 'credit plus' methodologies (education, health, business...), proposing new models (Daley-Harris, 2002). This backing for social microfinance was also supported by Katherine McKee (Head of the Microenterprise Department of USAID), who explained that there were benefits and disadvantages to the minimalist approach. She encouraged microfinance supporters to open their minds to alternative methodologies, such as the bundling of microfinance and business development services, but doing it on a sustainable basis. Ms. McKee also suggested that the clients should be given the choice of participating in non-financial services, and that the case for justifying subsidies to support the parallel model of "credit plus" had not been made yet.

An inspiring event

In addition to the traditional and official messages from the MCS Campaign (see section above), a number of different issues were raised through the presentations made during the Summit.

A need to develop and disseminate innovations

Anton Simanowitz, Programme Manager of ImpAct, requested that donors create space and incentives for innovations. In addition, John Hatch, from FINCA, encouraged the microfinance industry/movement to develop a centre(s) for innovation to share information on innovation throughout the world and reinforce the need to 'institutionalise innovation' (Daley-Harris, 2002).

A need to bring the commercial banking sector into microfinance

Musuku Kumar, Managing Director of SHARE in India, claimed that with increased access to commercial loans, SHARE would multiply its outreach by ten and serve 1 million clients in the near future. David Gibbons, from CASHPOR, encouraged commercial actors to make 'quasi-equity' instruments available to MFIs, as one way to reduce their capital constraints. Dr. Gibbons stressed the need for partnership with banks, and for 'MFIs to attract banks by convincing them that microfinance is a profitable business'. Dr. Gibbons also mentioned ADB's successful efforts in developing microfinance funds in the Philippines and in Nepal, providing quasi-equity to MFIs. The UNCDF representative also encouraged the MC Summit to consider successful examples of 'the other side' of microfinance, with ACLEDA and BRI as examples, and the fact that the whole microfinance sector could learn from the involvement of commercial banks in savings mobilisation. Finally, John Hatch from FINCA also recognised that the cooperation between banks and microfinance was a powerful model and that it needed more attention. The successful model developed by NABARD in India is a good illustration of this potential.

A need for regulatory frameworks

Norman Lauzon, the UNCDF Executive Secretary, highlighted the need for Central Bank regulations to preserve people's deposits while allowing MFIs to mobilise savings. This was later reinforced by John Hatch, who lamented that microcredit was not well known by Central Bankers, and further supported by the inspiring presentation given by Nancy Barry. The head of WWB commented that rating and local networks have an important role to play in regulating microfinance and making it more transparent.

An instructive event

On the positive side, the MC Summit is an interesting forum to learn from microfinance experiences around the globe, listen to industry leaders and network with participants. It gives people exposure to informative papers (Daley-Harris, 2002) during plenary and parallel sessions complemented by workshops (among sixty listed) on a great variety of topics.

High publicity was given to the microfinance industry through the presence of political leaders such as Vicente Fox, President of Mexico, the Deputy Prime Minister of Thailand, the First Lady of Pakistan, Hillary Clinton and Paul O'Neill, US Secretary of Treasury. This publicity was reinforced by the New York Times' editorial 'Credit for the Poorest', on 13 November 2002.

The presence of microfinance industry leaders created the opportunity for useful debates and discussions. Among the presenters and panellists were Muhammad Yunus from the Grameen Bank, Elizabeth Littlefield, Director of CGAP, Mr.Kumar, Managing Director of SHARE India, David Gibbons from CASHPOR, Yogesh Nanda, Chairman of NABARD in India, Christopher Dunford, President of Freedom from Hunger, Katherine McKee, Director of the office of Microenterprise Development, USAID, John Hatch from FINCA and Nancy Barry from WWB.

An incomplete event

The Summit sometimes took an overly ideological stance in favour of its pro-poor(est) microfinance agenda, and consequently, provided some confusing messages on successful approaches to microfinance. The sustainability issue was not well discussed and indeed overlooked by most presenters, while the integration of microfinance with health/education/non-financial packages was made to seem easy and almost free of cost!

Despite its publicity merits, the highly politicised opening ceremony was taken over by politicians, with the only practitioner being Mr.Yunus. It is a useful reminder that despite its official grassroots agenda, the MC Summit took place in one of the most luxurious hotel in one of the richest cities in the wealthiest country in the world.

Every single organisation presenting claimed – misleadingly - to have a long, rich and successful experience in microfinance (even some UN agencies for example)! Moreover, certain discussants seemed more interested in gaining exposure for their organisations than providing a relevant feedback on the papers discussed.

Unfortunately, organisations like CGAP, WOCCU, Bank Rakyat Indonesia, the Asian Development Bank, Bancosol and other commercialisation followers seemed sidelined due to their less pro-poor and more commercial approach to microfinance.

2. The Development of microfinance in Asia and the Pacific (1997-2002)

In South Asia

South Asia, seen as the birthplace of modern microfinance, houses the largest microfinance institutions in the world, in terms of outreach, and also in terms of poverty focus and sizes of loan portfolios (see table below).

Some of the largest microfinance providers in Asia in 2002 (membership)		
Bank Rakyat Indonesia*	Indonesia	27,045,000
NABARD	India	7,837,000
BAAC	Thailand	5,205,340
BRAC**	Bangladesh	3,410,000
Grameen Bank	Bangladesh	2,483,000
ASA	Bangladesh	2,136,000
Proshika**	Bangladesh	1,669,000
BDB*	Indonesia	405,000
SEEDS*	Sri Lanka	260,000
AKRSP / First Microfinance Bank**	Pakistan	160,000
SHARE	India	125,000

* data 2001

Source: Mixmaket, CASHPOR and organisations' web sites.

** data 2000

Despite this history, M-CRIL, the leading microfinance rating agency in Asia reports (Sinha, 2002) poor performance of rated MFIs in the region. Approximately 20% of the rated organisations have achieved the highest rating grades, while overall rated organisations are far behind international standards described in the microbanking bulletin - MBB (Mix, 2002). For example, the rated organisations disclose an average portfolio at risk (PAR)³ of 15%, instead of 2% in the MBB, and a negative return on assets (unadjusted) of -4.8% versus 1.5% in the MBB. However, M-CRIL notes that MFIs rated in the region, especially in India and Nepal are relatively young and therefore still subsidy-dependent.

It is also important to compare these results with the information reported in the issue number 8 of the MBB of November 2002 (Mix, 2002), which states that financially self-sufficient MFIs in Asia were the most profitable among the reporting organisations, with an average Adjusted Return on Assets (AROA) of 6.1%. These studies prove the diversity of actors in the region, where large and prosperous organisations serve as example for nascent, financially weak organisations with a strong potential for growth. Finally, the two benchmark surveys converge on the fact that Asia-based organisations operate under lower cost structures, and are generally more cost-efficient than elsewhere.

In **Bangladesh**, the Grameen Bank was the world pioneer in reaching the poorest on a large scale, but has stagnated since 1995 due to the heavy competition that its leading role has created and the rigidity of its credit-led methodology (see section on Grameen below). While Grameen was only growing by 9% between 1997 and 2002, three other major providers were increasing their outreach far more significantly. This was particularly the case for ASA, the champion of cost efficiency and management, who more than doubled its portfolio during that period (+165%), but also for BRAC and Proshika, recording growth between 30 and 50%. In 2000, the Credit Development Forum (CDF) and Palli Karma-Sahayak Foundation (PKSF) reported BRAC as the leading microfinance provider in the country, with a 28% market share, followed by Grameen, with 18%, ASA 11% and Proshika 10%. Among other emerging organisations were the Buro Tangail, with almost 100,000 members at the end of 2001 and the Palli Daridro Bimochon Foundation with 275,000 clients as of June 2002. Between 1996 and 1999, an annual average of 7.5 million of new members have joined MFI-NGOs in Bangladesh. To sustain this tremendous growth, PKSF, the main wholesaler in the country, became the 'world's largest state-run microcredit funding institution', providing close to US\$200 million to more than 200 microfinance providers. This amount represented a quarter of the funding to MFIs in recent years. Following PKSF's success, the Sonali bank also became a major player in financing microfinance. In addition to its own microfinance services, in 1997 the largest state-owned commercial bank started an NGO linkage program, providing US\$10 million to a large group of MFIs. The CDF, apex body for more than 500 microfinance NGOs, also made a significant impact on the development of the sector through a wide range of supporting services. It is now estimated that 55% of the population of Bangladesh now have access to microfinance services, which is probably one of the highest rates in the world (Mostaq, 2002). In this context,

³ PAR > 60 days

high competition has had positive effects, providing increased choice and reducing interest rates, but also negative effects as many borrowers became clients of multiple providers and became over-indebted. Competition also encouraged innovations, such as the creation of the organisation Safesave by Stuart Rutherford, which pioneered a flexible microfinance delivery system totally adapted to the daily needs of poor people.

In **India**, the National Bank for Agriculture and Rural Development (NABARD) has had considerable success in developing its own methodology of a 'banks - self-help groups (SHG) linkages program'. From 146,000 clients in 1997, it grew to almost 8 million people in 460,000 SHGs in 2002. This program is particularly appealing due to its reliance on partnership and linkages between commercial banks, self-help groups, NGO promoters, and the government of India through NABARD. With this successful savings-led model, NABARD intends to reach 100 million people through 8 million self-help groups by 2008. The Small Industries Development Bank of India (SIDBI) has also developed its own linkages model, choosing to work with a close network of NGO partners. India has also been a fertile ground for the growth of diverse and innovative organisations, combining the financial and developmental goals of microfinance (Fisher and Sriram, 2002). Successful examples were BASIX with its high-tech and efficient management, the cooperative SEWA bank with microinsurance products, and MYRADA/Sanghamithra and PRADAN (and others) with the mobilisation and financing of self-help groups. Discussed in a separate section, Grameen replications have also played an important role in reaching the poor, especially through the leader SHARE, but also through organisations like ASA. Despite the dynamism of the sector, there is still generally poor performance amongst MFIs in India (Sinha, 2002), and slow dissemination of best practices. In this context, it is important to highlight the impressive work of Friends of Women's World Banking (FWWB), an apex organisation providing financial and capacity-building services to a multitude of microfinance actors of diverse size and maturity. FWWB has multiplied its loan portfolio by five in the last five years (FWWB, 2001). Microfinance in India has also benefited from the activities initiated by Sa-Dhan, a pro-active national network, which among other things, encouraged the Indian government and the Reserve Bank of India to discuss the modernisation of the financial sector in India.

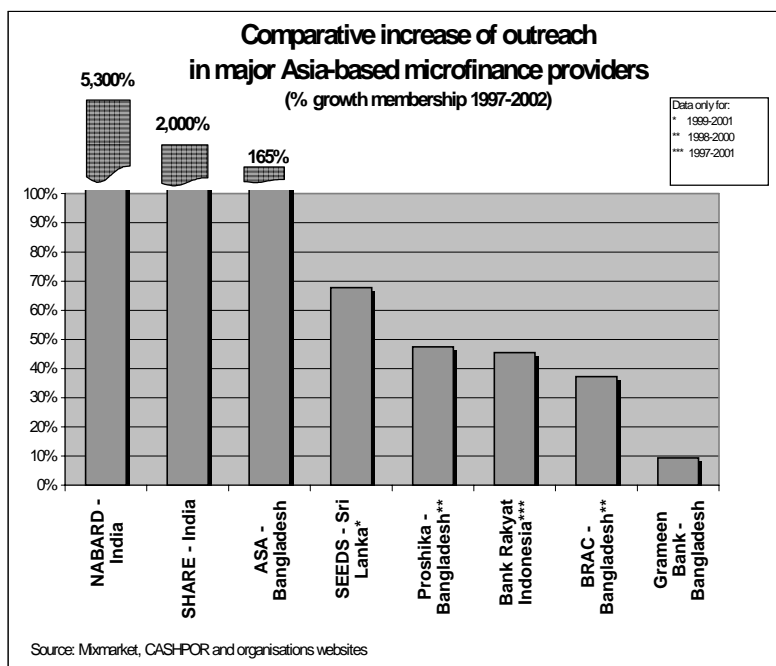
Despite a young and weak microfinance sector, **Pakistan** has recently benefited from new initiatives launched by its government, with the creation of a microfinance retail bank, the Khushali Bank and an apex organisation, the Pakistan Poverty Alleviation Fund (PPAF) set up to serve retail microfinance organisations. Within the group of developing MFIs, the KASHF Foundation, founded in 1996 and an affiliate of ASA Bangladesh, has emerged as a leader, displaying very low risk on an increasing loan portfolio of 23,000 clients. Using Community Based Organisations (CBOs) as conduits for microfinance services, Rural Support Programs have also had a major impact on the development of microfinance in Pakistan. They represent the highest number of MFIs and the largest coverage in Pakistan. Their methodology is used by half of the eleven microfinance practitioners members of the Pakistan Microfinance Network (PMN, 2002). One of the oldest and largest programs is the Aga Khan Rural Support Program, which decided in 2002 to create the First Microfinance Bank. In the banking sector, the First Women's Bank provides microfinance support specifically to women, while the Bank of Khyber is also involved in the microfinance sector.

In **Nepal**, the microfinance sector comprises a wide spectrum of actors, such as numerous NGOs, supporting organisations, government projects, the Regional Rural Development Banks (RRDBs) owned by the Nepal Central Bank, as well as savings and credit cooperatives. The Grameen Bank has had a major influence on the development of the microfinance sector, through the creation of five RRDBs which doubled their outreach between 1997 and 2000 to reach 110,000 borrowers, and the establishment of the NGO Nirdhan which transformed into the Nirdhan Uttan Bank in 1999 and now reaches 35,000 people as of June 2002. The sector was further developed thanks to the role played by supporting organisations such as the Rural Microfinance Development Centre (RMDC), the Rural Self Reliance Fund (RSRF) and the Centre for Microfinance (CMF). The RMDC is a wholesale organisation providing capacity-building and financial services to retail MFIs, while the RSRF is a government fund, and the CMF is an independent networking and capacity-building organisation created in 1998.

Sri Lanka also presents a very diverse microfinance sector, with an active cooperative movement, numerous government and central bank initiatives, and programs of commercial banks and MFIs. Emerging from the

Sarvodaya people's movement, SEEDS is the leading MFI in the country, and one of the few sustainable NGOs. SEEDS uses a credit plus approach, reaching 260,000 members at the end of 2001 and recording high growth (almost 60%) over the period 1999-2001 (SEEDS, 2003). SEEDS plans to transform into a regulated development bank in 2003. In the banking sector, the Hatton National Bank has developed an innovative microfinance program, tailored to rural clients, which has encouraged other banks, such as the People's Bank supported by GTZ, to enter the sector. The cooperative movement comprises around 50% of all microfinance loans, through 1,500 cooperative rural banks and 8,000 thrift and credit cooperative societies (TCCS). Sanasa, the federation of TCCS, established the Sanasa Development Bank in 1997. The government and the Central Bank have also a strong presence in microfinance, through six licensed Regional Development Banks, the Samurdhi Banking Society and the National Development Trust Fund (NTDF), acting as a wholesaler. The intense competition and extensive outreach of microfinance in Sri Lanka might increase the risks of market saturation.

In East Asia



There is a vast diversity of models and levels of development of microfinance in East Asia. Large scale, viable models were developed by formal financing institutions as showcases in Indonesia and Thailand. On the other hand, NGOs have a strong presence in the Philippines and Cambodia, while in China and Vietnam central government programs and associated NGOs have developed new initiatives.

In **Thailand**, a country with one of the higher levels of income in the region, the Bank for Agriculture and Agricultural Cooperatives (BAAC) is the major player in providing microfinance services. In 2002, the agricultural bank reached 5.2 million farmers, including 3.6 million farmers registered at branches and 1.6 million

who were members of co-operatives. The most significant aspect (reported by Conroy, 2002) has been the market penetration of BAAC, reaching more than 90% of Thai farmers. The program also reaches the poor, if assessed by the high number of savings and loan accounts with low outstanding balances.

Indonesia shows an impressive poverty outreach of regulated financial institutions in rural areas. The Bank Rakyat Indonesia Unit system is considered one of the most successful microfinance providers in the world, serving 27 million savers and 2.7 million borrowers at the end of 2001, with a 45% growth of outreach over the period 1997-2001. Even if the BRI Unit program does not reach the poorest to the extent demonstrated by the Grameen Bank, Robinson (2001) shows that in 1995, both organisations displayed a similar average loan balance as a share of GNP per capita (around 60%). Other major microfinance actors are the 2,144 rural banks (BPR and BKD) collectively serving 4.1 million people as of June 2002 (Bank Indonesia, 2002), village cooperatives (KUD) and the Bank Dagang Bali, a private bank serving 405,000 clients. During the Asian financial crisis (1997-98), the microfinance operations of regulated financial institutions continued to grow and didn't suffer while corporate banking institutions were forced to close down, merge or to be restructured. Robinson (2001) reports that the amount of savings deposits, in local currency terms, doubled in BRI-Unit during the crisis, while its loan portfolio remained almost unaffected.

The microfinance sector in the **Philippines** has developed well in recent years, fuelled by a supportive legislative environment set by the Central Bank of the Philippines (Bangko Sentral ng Pilipinas or BSP),

which only allows microfinance-dedicated branches to be set up by commercial banks. The sector also benefits from the existence of self-regulatory bodies such as the Microfinance Standards Coalition, and a wide diversity of actors, including numerous NGOs mostly modelled on the Grameen Bank, rural and thrift banks, and co-operatives (Conroy, 2002). The 1997-2002 period saw the creation of microfinance banks. In 1997, the NGO CARD, a successful Grameen replication, created the CARD bank, now serving 80,000 people. In 2001, The Opportunity Microfinance Bank (OMB) was established as the first microfinance thrift bank in the Philippines, formed by the APPEND network of NGOs, which also continued their own operations in parallel (the largest being KMBI, ASKI, and TSKI). Providing finance to the sector, PCFC acts as a commercial wholesale lender to microfinance programmes.

The context for microfinance in **Cambodia** is quite different, with higher poverty figures and a post-conflict economy along with damaged physical and human infrastructure. Because of the low development of the formal commercial system, especially in rural areas, and a conducive regulatory environment, MFIs play a major role in the financial system, reaching an estimated 15% (CGAP, 2002) of rural households. Three licensed MFIs are financially supported by the Rural Development Bank, a wholesale institution established in 1998 and financed by the ADB. The Association of Cambodian Local Economic Development Agencies (ACLEDA) which started its operations in January 1993 with the support of the UNDP and the ILO, was transformed into a licensed bank in 2000, and is now serving 60,000 clients. EMT, supported by GRET, became a major player serving a lower-end clientele of 70,000 clients while developing innovative microinsurance products. Retaining temporarily ownership of Thaneakea Phum Cambodia Village Banking Program (TPC), CRS has transformed this microfinance project into a regulated MFI, serving approximately 25,000 clients. It is likely that competition will increase among MFIs in the future, in a relatively limited market.

In **Vietnam**, microfinance activities are dominated by the government subsidised schemes implemented by the Vietnam Bank for Agriculture and Rural Development (VBARD), the Vietnam Bank for the Poor (VBP) and the multitude of People's Credit Funds (PCFs). The PCFs are savings and credit cooperatives operating at the communal level (Conroy, 2002) and have been developed with the assistance of the Canadian cooperative organisation, Development International Desjardins. The Vietnam Women's Union has millions of members and uses savings and credit group methodology to some degree. Other Grameen replications have developed over the years, such as the CEP Fund, which recorded a strong growth of its client base and sustainability ratios. Heavy government control over the financial sector, with interest rates caps, significantly limits the growth of sustainable microfinance initiatives in Vietnam.

China is somewhat of a latecomer to microfinance, where government programs have traditionally been the main vehicle for providing financial assistance to rural areas, through Rural Credit Cooperatives (RCC) for example. China represents a huge potential market for microfinance, with 200 million poor and limited access to public banks. Modern microfinance has been disseminated through Grameen replications, such as the Funding the Poor Cooperative (FPC) and the Association for Rural Development of Poor Areas in Sichuan (ARDPAS), created respectively in 1993 and 1997, and a series of pilot projects under UN management. An innovative model was developed in Qinghai, combining the infrastructure of a commercial bank, the Agriculture Bank of China, with commission-based field agents. With enough political support, this model could be further refined and developed in the rest of China, following in the steps of NABARD. As in Vietnam, government regulations imposing interest rates caps significantly reduce the development prospects of sustainable microfinance in China.

In the Pacific

Microfinance in the Pacific is still in an embryonic phase, provided through informal sources (friends and relatives, moneylenders, self-help groups), semi-formal sources (credit unions, finance companies, NGOs, village banks and government agencies) and formal sources (development and commercial banks). Despite the achievements by several organisations in savings mobilisation and loan repayment, none have yet achieved operational self-sufficiency. (ADB, 2001). Dissemination and implementation of best practices in microfinance seems a long-lasting challenge in this very distinct environment of isolated, low-populated island states. Organisational sustainability and a commercially viable delivery of financial services have

proven more difficult to achieve in this context. This partly results from the importance of aid funding rather than market-based investments in the region, a high reliance on government-managed -or influenced- microfinance initiatives, and a lack of microfinance success stories due to a limited number of long-term financing sources and technical support providers. Limited market bases have also constrained the development of “traditional” MFIs, particularly in credit delivery, and reinforced the need to design and pilot alternative microfinance methodologies for the region. Due to difficulties in accessing reliable sources of information on the region, some of the research findings presented below may appear outdated or incomplete.

Melanesia

The **Fiji** government has been involved in microfinance with the National Microfinance Unit (NMFU) established in 1999 by the Ministry of Commerce. Subsequently this unit provided funding to partner NGOs, the Fiji Council of Social Services (FCOSS) and AGLOW, both using a solidarity group methodology inspired by the Grameen Bank. In 2001, the NMFU started to directly implement an individual lending program. The NMFU initiative has faced implementation difficulties and low repayment. The Fiji government has also been involved in the management of a Grameen Bank replication, the Women’s Social and Economic Development Programme (WOSED), implemented by the Department of Women and Culture, which shows a growing outreach in rural areas and good results in savings mobilisation. UNDP has implemented a regional support program for a number of years, providing assistance to microfinance schemes in Fiji, such as the Anandpur Microcredit Project, and in other Pacific Islands Countries. It has recently evolved into an integrated program, the Pacific Sustainable Livelihoods Programme, which focus on savings mobilisation and institutional capacity building. UNDP and NMFU have also supported the SEED (Social and Economic Equity for the Disadvantaged) Foundation, using a Grameen Bank methodology, which was reported in 1998 to be the first NGO specialising in microfinance in Fiji. In addition, ADB (2001) mentions the existence of a credit union movement in Fiji.

In **Papua New Guinea**, the main microfinance program is the Liklik Dinau/Abitore Trust (LLDAT), a Grameen Bank replication, which has faced loan repayment problems but has been more successful in collecting savings. The PNG government’s Department of Home Affairs Women’s Credit Project has coordinated revolving fund schemes operated by women associations in the Western Islands region. Despite some success, the scheme has faced difficulties in recovering loan payments. In 2001, ADB and the PNG government launched the development of a US\$20 million Microfinance and Employment project including three components. First, a Microfinance Competence Center will provide training and capacity building to a network of microfinance providers, second a series of pilot projects will be developed to test savings and loans methodologies, and third a refinancing facility will provide funding to MFIs. In the conflict-affected area of Bougainville, the Bougainville Microfinance Scheme (BMFS) is supported by Australian Volunteers International and Credit Union Foundation Australia, and funded by AusAID. It is built on a three-tier structure, with at the base village banks operated by local communities, financial intermediaries at district level, and a peak organisation, Bougainville Haus Moni in charge of institutional development and growth of the two tiers. The BMFS reported 14,000 members in June 2002. The credit union movement is also represented through savings and loans associations operating in a majority of regions in PNG.

In the **Solomon Islands**, UNDP regional pacific program has provided support to the Solomon Islands Microcredit Scheme for Women (SIMIWODS). This modified Grameen Bank replication has been implemented by the Kiribati Ministry of Women, providing assistance to local NGOs, the Young Women Christian Association (YWCA) being the first to partner with the project. SIMIWODS has had success in mobilising savings and keeping loan repayment high (96%, as reported by ADB, 2001). Moreover, in 2000 the Solomon Islands Credit Union League covered 45 credit unions, and 23 savings clubs. The Rural Financial Services Project (RFSP) was supporting most of its microfinance services in rural communities.

In **Vanuatu**, the Vanuatu Women’s Development Scheme (VANWODS) is a Grameen Bank replication that has been supported by the UNDP regional Pacific program since 1993, and implemented by the Government of Vanuatu through the department of Women Affairs. It has shown good results in mobilising savings while maintaining a high repayment rate (100% as reported by ADB, 2001). In addition, the Ni-Vanuatu business

Development Centre, supported by the Vanuatu government, was listed in 2001 as a microfinance provider with the implementation of the Ni-Vanuatu Microfinance Scheme (PITIC & ADB, 2001). This scheme provides business loans with subsidised interest rates, which requires partial collateral. In the credit union movement, the Vanuatu Credit Union League reported at the end of 2000 the supervision of three active credit unions with a total of 780 members.

Polynesia

In **Samoa**, UNDP supported the Samoa Microenterprise Financing and Savings Mobilisation project, implemented in partnership with the Women in Business Foundation (WIBF). Using a Grameen Bank methodology, the microcredit delivery was proven unsuccessful. WIBF has now reoriented its efforts towards savings mobilisation and training. The South Pacific Business Development Foundation (SPBD) is also a Grameen Bank replication that started operations in January 2000, receiving support from Grameen Trust and Planetfinance as well as private donations and loans. The organisation has so far provided loans to over 2,100 underprivileged Samoan families. Despite initial difficulties, the organisation has learned useful lessons and improved its management capabilities in 2002. On the Credit Union small scene, the Samoa Credit Union League claimed in 2000 the existence of 20 active credit unions for a total of 3,880 members. However, the Samoa Credit Union League is now reported to have ceased activities.

In **Tonga**, while successful in the past, the Development Bank's Outer Islands Credit Project (OICP) was terminated due to a lack of funds (ADB, 2001). Alternative methodologies have also been developed, such as the revolving loan fund scheme operated by the Tonga National Youth Council (TNYC) for a number of years, and credit unions facilities, reported to have a presence in the three main islands.

Micronesia

In **Kiribati**, the Credit Union League reported in 2000 overseeing 84 active credit unions with 2,300 members. Revolving fund schemes have been developed by the government, through the creation of village banks, which became the main source of credit in rural areas, but were barred from collecting savings. The program has received support from the UNDP Pacific regional program. In 2001, the Development Bank of Kiribati was listed as a microfinance provider (PITIC & ADB, 2001).

In the **Marshall Islands**, UNDP regional Pacific program has supported the implementation of the Sustainable Livelihoods Development Project, started in 1998. According to UNDP, the program aimed at "building and strengthening the capacity of local communities to mobilise resources and expertise in order to generate income and livelihood opportunities for disadvantaged people living in the outer islands or urban centres".



3. Recent developments in the Grameen Bank and the MCS Campaign in Asia

Development of the Grameen Bank and the CASHPOR network

Grameen Bank has been the flagship for the microfinance sector for more than two decades, with outstanding achievements but also disappointments in recent years. It has been replicated in around hundred programs operating in more than forty developing and industrialised countries. Because of the extensive literature on the subject, this paper only summarises Grameen Bank's successes over the years, and highlights recent events. As described by Johnson and Kinder (1999), the Grameen name has been put at the forefront by the MCS Campaign and reinforced credit-led methodologies around the world. In Asia, the Grameen methodology has been disseminated by the CASHPOR network and financed by the Grameen Foundation USA and the Grameen Trust in Bangladesh. An overview of the development of microfinance in Bangladesh between 1997 and 2002 is provided in the previous section.

Grameen Bank in short

The main achievement of the Grameen Bank has been to demonstrate that financial services can reach the poor, and reach them on a large scale. Grameen is owned by its 2.4 million clients, and has provided them US\$3.7 billion in loans over the past 25 years. Grameen serves more than 41,000 villages throughout rural Bangladesh, one of the poorest countries in the world. This massive access to microcredit has produced a positive impact on the life of the poor, as reported in 1997 by a World Bank survey, which found that 120,000 people left poverty each year thanks to their membership with the Grameen Bank. According to Grameen internal surveys, 42% of Grameen borrowers' families have crossed the poverty line. Another achievement was also for Grameen to break old thinking that the poor were not bankable, particularly the women. Reaching such a massive scale, with 95% of clients being poor rural women, had a long-lasting impact on the development of microfinance throughout the world, promoting financial services to millions of poor (Grameen Bank, 2003).

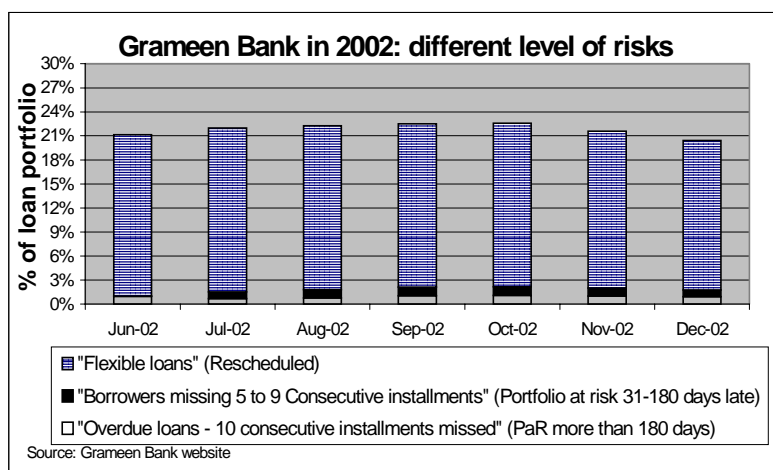
Recent developments in Grameen Bank

If Grameen Bank has been in the forefront of poverty focus, it has not been the same in terms of transparency and adhesion to international standards. In an article published on November 2001, in the front page of the Wall Street Journal, the Grameen Bank was publicly attacked on its transparency and accounting standards, especially in regards to repayment problems. The article unveiled the poor repayment at Grameen Bank, and the accumulation of overdue loans (as much as one out of five) with dramatic extremes reached in some regions. Grameen's response to this criticism was a remodelling of its reporting format and web site, which now provides more regular and detailed financial information, but not necessarily the most appropriate one.

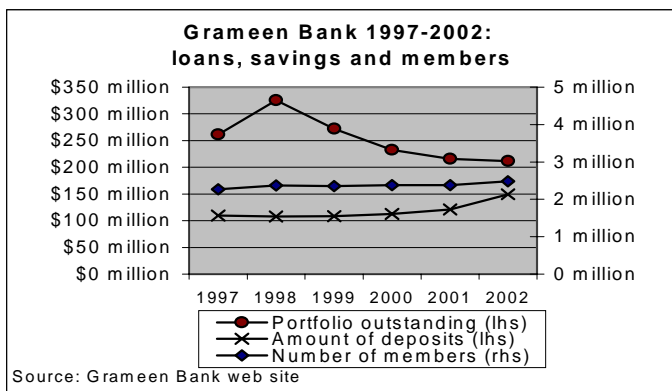
Acknowledging the repayment problem, at its worst between 1997 and 2000, and the pressure of increasing competition in Bangladesh, the Grameen Bank made in 2001-2002 the first ever major change in its methodology renamed 'Grameen II' (Grameen Bank, 2003). This new set of operating procedures is designed to fit Grameen's products better to the clients' financial needs. Under new policies, group savings

became individual savings, the number of loan types was narrowed down to basic loans and flexible loans, the latter loan product being in fact rescheduled loans.

As summarised in the graph on the left, new monthly individual reports in 2002 (Grameen Bank, 2003) indicate a positive trend in the evolution of the portfolio at risk (more than 30 days late and overdue), which remain relatively low (less than 3%). However, some structural repayment problems remain, as shown by the level of 'flexible loans'



representing on average 20% of the total loan portfolio in 2002. Flexible loans are loans that have been rescheduled once or more. Grameen continue to use the handy but ill-advised technique of rescheduling loans when problems appear. This technique runs counter to international best practices, which recommend that rescheduling and refinancing be the exception, rather the rule. CGAP (2001) advise that ‘under exceptional circumstances, management may renegotiate loans (...) for clients that have suffered catastrophic events (...)’



In recent years, Grameen Bank membership has stagnated around the 2.3 million mark, while the size of its loan portfolio has decreased and the level of deposits have increased significantly (boosted by the new Grameen II individual savings system) Savings deposits now represent 72% of the portfolio of loans outstanding.

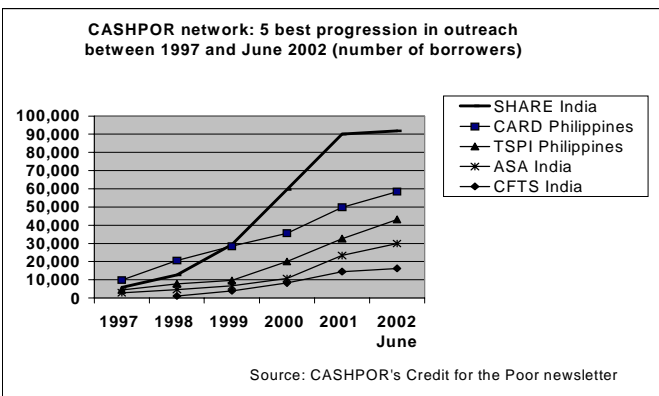
Different reasons might explain the reduction of portfolio size, such as currency fluctuation (Taka/US\$), an increase of the average loan size or the impact of accumulated bad debts.

In a recent article (Mallick, 2002), the Grameen Bank was accused of causing domestic abuse and provoking gender conflict. In some cases, women coming back late from meetings have been physically abused by their husbands. As women are the main loan recipients, bank staff do not risk being threatened by male borrowers. The threat of physical violence is actually reversed in some cases. Given that a majority of Grameen staff is male, the same author reported potential abuse from staff when instalments were late. This may explain the very low number of female employees in Grameen Bank (estimated at 9%), and the reluctance of Grameen to adopt affirmative action, even when pushed by its international donors. This is not a Grameen-specific problem; for example ASA reports only 11% of female staff, and other microfinance organisations also face similar problems, which reflect some gender bias that might persist in their host cultures.

It is also worrying to see so much hype on the impact of microcredit in Bangladesh and the progress claimed by the Grameen Bank and others, whilst still being confronted with the darker reality of the slow progress of poverty alleviation in Bangladesh. In fact Bangladesh has kept approximately the same rank among the world poorest nations in the world (UNDP, 2002) being ranked 149 out of 173 in 1975, and 145 in 2002. A third of its population still lives with less than 1\$ PPP a day.

The CAHSPOR network

CASHPOR, the network for Credit and Savings for the Hard-Core Poor, is a network organisation comprised of twenty or so Grameen Bank replications in Asia (Credit for the Poor, 1996-2002). In the last five years, five organisations have achieved great success, measured by the growing number of borrowers they serve (see graph below). In contrast, two members of the network have faced difficulties (AIM and YUM in Malaysia) or recorded decreasing numbers (ARDPAS in China). Three of the successes are in India and two in the Philippines, countries where governments have supported microfinance in recent years. CASHPOR,



and two of its most successful members, SHARE and CARD Bank have demonstrated that Grameen replications models can be financially viable and can substantially increase their outreach over time. Their outreach is still relatively limited though, if compared to the Grameen Bank numbers.

In fact, despite individual successes, the global figures for the network are far from the achievements of the Grameen Bank, with 500,000 borrowers being reached by the CASHPOR Network versus 2.4 million by Grameen.

Reaching large scale is still a very difficult and long journey, even in Asia. Moreover, if the five stars of CASHPOR are taken out of the surveys, the annual average growth is still at 25%, a relatively high percentage, even if applied to a limited group of small-scale organisations.

Research on CARD bank (Seibel, 1999) and other replications (Seibel, 1998) in Asia have shown that when Grameen replications reach self-sufficiency, they reach the poor in higher numbers. The best replication models have successfully integrated Grameen guidelines (peer pressure, training and commitment of staff, credit discipline) with obtaining a local bank status, developing demand-driven savings and insurance products, and giving access to financial services to non-poor populations. The researcher found that the major impediment to the growth of Grameen replications was their donor or government-driven nature, resulting in low self-sufficiency, high costs and weak savings mobilisation.

There is scope to focus on increasing the size and numbers of Grameen replications by introducing more business-like management practices. These practices have been successfully followed by CARD Bank and SHARE, reducing their dependency on donors and increasing their access to commercial sources of funds. There is also scope to develop complementary platforms to the CASHPOR network in Asia, such as the Banking With The Poor network (www.bwtp.org) and others. They could be used as regional forums to share lessons learned and best practices in Asia and to develop standards of operation, scale up methodologies and access to new sources of funds. Some work has been pioneered by rating agencies in the region, and CGAP internationally. It now needs to be systematised, recorded and disseminated by a regional entity, with an inclusive membership throughout Asia.

The MCS Campaign in Asia and the Pacific

As described earlier, the MCS Campaign has traditionally used the Grameen Bank and its replications as flagships in its activities and related publications. In the newsletter Countdown 2005 (Microcredit Summit Campaign, 1997-2000), Mr. Yunus, the Grameen Bank and CASHPOR appear regularly, along with replications such as SHARE (India), Ahon Sa Hiras (Philippines), the Shakti Foundation (Bangladesh) and others. In comparison, few articles depict the work of NABARD and BRAC, and almost no mention is made of alternative models and organisations operating in Asia. For more information on the development of microfinance in Asia between 1997 and 2002 please refer to the previous section.

In the 1999 Meeting of Councils in Abidjan (Microcredit Summit Campaign, 1999), Mr. Yunus presented the paper 'How Donor Funds Could Better Reach And Support Grassroots Microcredit Programs Working Towards The Microcredit Summit's Goal And Core Themes', which called for more and better channelled financial resources for microcredit. The meeting report also mentions ASA, from Bangladesh, with the presentation of its institutional action plan, and includes a short summary of a regional Asian meeting. In this meeting, the goal set for the Asia region was to reach 75 million families among the poorest by the year 2005 and to focus on:

- the need for supportive governments to encourage microfinance development and innovations,
- the development of partnerships with commercial banks, as they possess the funds that microfinance practitioners desperately need,
- the need to share best practices across the region through more regional meetings, and for large, mature organisations to help young and smaller ones,
- the importance of taking more action to increase outreach by millions especially in China and India.

In 2002, NABARD achievements took a central role in the Campaign, first included in the annual progress report 2002 (Microcredit Summit Campaign, 2000-2002) and then praised during the MC Summit+5. One will wonder why this recognition came so late, with the "banks – self-help groups linkage" scheme operating since the early 1990s. This could be explained by the reluctance of organisers to include an alternative option to the Grameen approach, and one using commercial banks as partners, a savings-led methodology and a diversity of self-help groups and NGOs methods. The NABARD scheme brings huge numbers to the Campaign and provides an inspiring example for the involvement of banks in microfinance. The MC Summit +5 has also lauded the Central Bank of the Philippines (BSP) for its pro-microfinance policy. During

the presentation and discussion of the WWB paper, the panellists and presenters quoted the favourable policies in the Philippines in regards to liberalised interest rates.

The Asia-Pacific region MC Summit meeting of councils (Microcredit Summit Campaign, 2001)

The Asia-Pacific Region MC Summit Meetings of Councils took place in New Delhi, India between the first and fifth of February 2001. It attracted 660 people coming from 20 Asian countries and 32 countries outside the region (Microcredit Summit Campaign, 2001). A new paper was presented during the meeting, called “Creating Autonomous National And Sub-Regional Microcredit Funds” written by the director of PKSF in Bangladesh (Salehuddin, 2001).

Among the participants were Elizabeth Littlefield, CEO of CGAP, Len Good, President of CIDA, Noeleen Heyzer, Executive Director of UNIFEM, Muhammad Yunus, Magaging Director of the Grameen Bank, Ela Bhatt Chair of SEWA India, Jaya Arunachalam, Chair of Working Women’s Forum, India and Md. Shafiqul Haque Choudhury, Managing Director of ASA, Bangladesh. Representatives from BRAC and BRI were present, as well as Central Bank governors, Mr. Jayawardena, governor of the central bank of Sri Lanka, Mr. Dhakal, governor of the central bank of Nepal and Dr. Husain, governor of the central bank of Pakistan.

The objective of the meeting was ‘to talk about challenges facing the microcredit field in Asia’ (Microcredit Summit Campaign, 2001) by discussing papers related to the Summit’s four core themes:

1. reaching the poorest families
2. reaching and empowering women
3. building financially self-sufficient institutions
4. ensuring a positive, measurable impact on the lives of clients and their families

The Asia region is of great importance for the MCS Campaign, being home to 1,000 of the 3,500 reporting institutions, and including 83% of the 26.7 million of the poorest clients reached by microcredit.

MCS Campaign: figures for the Asia region

	Number of reporting programs	Number of reported clients		
		Total	poorest women	Total poorest
1998	n.a.	16,798,605	7,350,121	9,513,544
1999	352	18,427,125	8,316,313	10,498,656
2000	647	23,576,938	11,141,678	14,674,277
2001	1,075	47,891,977	18,098,695	22,340,073

Source: Microcredit Summit Campaign

The meeting was co-hosted by the All-India Women’s Conference (A-IWC) and sponsored by the ADB. A-IWC is a respectable social and development organisation, member of several UN councils, a sustainable energy focal point, which managed a socio-economic program, among other activities. One of A-IWC’s aims is to integrate microfinance and renewable energy schemes.

As reported in official meeting transcripts (Microcredit Summit Campaign, 2001), PKSF was given a very high profile in the meeting reports, thanks to the paper they presented on regional microcredit funds. Moreover a specific focus was also given to specific innovations in “credit plus” methodologies with ‘leaders of successful microcredit programs that combine health, information technology, insurance, renewable energy or education serve as examples for program ideas and replication’.

Asian organisations

The participants at the meeting were given the option of visiting three microcredit programs in the region:

- Working Women’s Forum (WWF), Madras in India
- INDCARE, New Delhi in India
- Association for Rural Development of Poor Areas in Sichuan (ARDPAS), Chengdu in China



The case studies (Microcredit Summit Campaign, 2001) presented were mainly ‘credit plus’ methodologies, with WWF integrating health, the Grameen replication ARDPAS in China including business and marketing training, and the Women’s Empowerment Program in Nepal combining literacy and microfinance. Some other successful examples originated from international NGO’s programs, such as Opportunity International in India, combining microcredit and basic business training, and Oxfam America’s Tau Yeu Mai Program (TYM), a Grameen replication implemented by the national Vietnam Women’s Union.

In addition to the usual heavy referencing to Grameen Bank and replications (e.g. FPC China) and CASHPOR network, the government agency SIDBI in India was also presented. Among the panellist and moderators, Asian practitioners were represented by executives from CARD Bank, the second biggest replication of Grameen Bank, based in the Philippines; Dr. Cecilla del Castillo, Executive Director of the Negros Women for Tomorrow Foundation, Philippines; Jaya Arunachalam, president of Working Women’s Forum; and Shafiqul Haque Choudhury, managing director ASA Bangladesh. Unfortunately, most of the panellists came either from outside the region, or were non-practitioners such as donors or governmental agencies in the region.

Events and Discussions

In addition to the numerous papers, discussions and presentations (Microcredit Summit Campaign, 2001), an unusual event was organised during the MC Summit regional meeting, which was a plenary panel of central bank governors, titled “The Legal And Regulatory Framework Required To Enable Microfinance Institutions To Operate Effectively”. Muhammad Yunus from the Grameen Bank moderated this event that gathered a sample of central bankers active in microfinance in the region, including:

- Mr. Dhakal, governor of the Central Bank of Nepal.
- Dr. Husain, governor of the State Bank of Pakistan
- Mr. Kapoor, deputy governor of the Reserve Bank of India
- Mr. Abdullah, deputy governor of the Central Bank of Indonesia
- Dr. Pant, former deputy governor of the central bank of Nepal, founder of the Nirdhan Utthan Bank, microcredit program, Grameen replication in Nepal.

During the regional meeting, Mr. Salehuddin, managing director of PKSf presented a paper (Salehuddin, 2001) on regional microcredit funds. He also indicated (Microcredit Summit, 2001) that BRI was ‘not for poorer people. It is a banking institution. It mobilises savings from anyone who comes, it gives loans to anyone who wants, so you can not give the example of BRI as a successful microfinance institution for poorer people.’ He also justified the development of microcredit funds by a reduction of costs ‘by not employing consultants as it is generally the case with donors, with 25 or 30% of the money goes to consultant fees, and hardly 25 to 30% of the money really reaches the poor people’.

On the capacity-building side, reports show that the Asia Regional organiser, Dr. Rao, had led classroom sessions on the use of CASHPOR House Index in 14 cities in five countries for more than 650 practitioners, during the period March to November 2001 (Microcredit Summit, 2000-2002).

The content of other sessions such as plenary, institutional action plan presentations, day-long courses and workshops were not reported in the MC Summit documents, thereby reducing their impact on the development of microfinance in the region.

A Campaign for the Pacific?

Given the limited development of microfinance in the Pacific region (see previous section) and the fact that it would never reach large numbers, the Pacific region is unattractive to the Campaign and has had very limited attention in the MC Summit. In the Asia-Pacific regional meeting in India, the overall objective and related topics seemed to have forgotten the Pacific ‘sub-region’ and focused solely on Asia. Only two people from the Pacific were mentioned in the official meeting report. In 2002, the only microfinance organisations reporting MC Summit figures were two Grameen replications, the South Pacific Business Development Foundation in Samoa and Moris Rasik in East Timor (listed under Malaysia). Other organisations have been listed over the years, in Fiji and Papua New Guinea, but have had no formal participation in the organisation of regional or international meetings.

4. Contribution to the Campaign

Reaching the 100 million target is still a remote and difficult objective, as only 27 million of the world's poorest have been given access to microcredit after five years in the nine-year Campaign. As described earlier, forecasts can be differently interpreted and manipulated. This paper has reviewed and analysed the Campaign in the last five years and the organisation of the MC Summit +5, and has related it to the recent development of microfinance in Asia. It now provides a series of suggestions for improvement in the Campaign. These suggestions should only be taken as a modest contribution towards the achievement of the MC Summit goal of providing credit access to 100 million of the world poorest by 2005.

First, the MCS Campaign needs to decentralise its activities and structure, bringing the Campaign from Washington DC to the Third World by:

1. Establishing partnerships with the MFIs with the largest outreach, for example with the 39 organisations currently serving 55% of the poorest clients reported by the MCS Campaign. These partnerships will deepen and increase these organisations' outreach and transfer their 'know-how' in serving the poor to smaller but promising organisations, in their own countries and abroad.
2. Establishing partnerships with national and regional networks to provide technical and advocacy support to their members, to achieve the dual objective of reaching the poor on a large scale and attain sustainability. The Banking with the Poor network (www.bwtp.org) in Asia, for which the Foundation for Development Cooperation acts as secretariat, could be used as partner in the region.
3. Transferring RESULTS advocacy capacity and activities (RESULTS, 2003) from the United States to developing countries. With a new pro-poor legislation on microenterprise development likely to be enacted in the United States, RESULTS should now focus its efforts on lobbying governments and central banks of developing countries, in support to pro-poor and regulatory environments favourable to the development of a wide diversity of microfinance actors.
4. Modernising the collection of data that is too centralised in the Campaign headquarters. Campaign organisers should build the recording capacity of national and regional network as agents of the Campaign in the field, and reinforce the network members' focus on the poor.
5. Co-organising future regional and national workshops with regional and local microfinance networks, in order to build their capacity, develop synergy, widen scope and involve local experts. This will result in bringing the campaign closer to its main proponents and provide a more tailored approach to the challenge of increasing and deepening outreach.

Second, the Campaign needs to concentrate its efforts and rationalise its activities by:

6. Focusing on and supporting the expansion and replication of successful models. The Campaign might provide support for example to the NABARD scheme in India that aim at reaching 100 million poor by 2008, or to the Bank Rakyat Indonesia Unit system to deepen its outreach and disseminate its success elsewhere. It might also choose to collaborate with the ADB in developing alternative schemes in Asia.
7. Focusing on a small group of developing countries where poverty reduction would have a large impact on the campaign, such as India, Bangladesh, China, Pakistan and Indonesia in Asia, which house almost 60% of the world poor. In parallel, the Campaign could pursue a lower level of campaigning, through the development of networks in less populated countries and regions, for example in the Pacific.
8. Ensuring continuity in the Campaign through active fund-raising to support a core group of permanent staff. This will ensure the publication of regular newsletters, the updating of the website and a constant dialogue with partners. Some funds could also be pooled and shared with regional networks to build decentralised structures and lasting capacity.
9. Encouraging transparency and the development of international and regional standards in microfinance. The Campaign organisers might choose to work with government authorities, international donors

through the CGAP secretariat, and other international organisations or regional entities. By encouraging the adoption of sound management practices, the MC Summit will contribute to the overall progress in sustainability and consequently in increasing outreach, especially among the poorest.

Finally, the Campaign needs to embrace the diversity of actors and approaches in microfinance by:

10. Giving a more important place to non-credit services, such as micro-savings and micro-insurance products, which have proven to be of great benefit to the poorest. This will counterbalance the bias created towards credit methodologies in MFIs world wide, and the over-reliance on the single approach to Microcredit that was developed, implemented and replicated by the Grameen Bank and its supporters.
11. Moving out of the ‘one-model fits all’ of the Grameen Bank and promoting the diversity of approaches in microfinance and the successes of alternative models. Reaching the poor on a massive scale will only be possible through the inclusion and promotion of highly successful NGOs, formal financial institutions, wholesale and supporting organisations and community groups. The acclaimed achievements of ASA (Bangladesh), Bancosol/Prodem (Bolivia), Bank Rakyat Indonesia Unit (Indonesia) and other schemes with a more commercial approach also need to be publicised and promoted by the Campaign.
12. Recognising that direct poverty targeting is not the only option for reaching large numbers of people among the poorest, as proven by the success of formal financing institutions in Asia (BAAC and BRI) and the role played by international funds and apex bodies. In other development fields, reaching the poor and the not-so poor have produced ripple effects in the welfare and status of the poorest.
13. Building a strategic partnership with CGAP with the goal of boosting the development of microfinance world wide, enlarging and deepening the current limited client base of microfinance programs. In recent years, Elizabeth Littlefield, CEO of CGAP, has given high consideration to pro-poor policies with CGAP participation to MC Summit events, the development of the pro-poor innovation challenge, an emphasis on deepening poverty outreach, and on the CGAP poverty appraisal format. Microfinance will only achieve a large and lasting impact on extreme poverty if it benefits fully from the lessons learned in the pro-poor movement and in the successes of commercialisation.

Conclusion

Over the last five years, the MCS Campaign has made a significant contribution to the development and understanding of basic microcredit principles by keeping a focus on the poor and highlighting the success of the original pro-poor and large-scale microfinance model developed by the Grameen Bank. Particularly in Asia, the MC Summit has encouraged emulation among practitioners by supporting and disseminating the achievements of Grameen and its replications, and their impact on extreme poverty. The organisation of a regional meeting was the opportunity for practitioners, donors and researchers to share experiences and reinforce their commitment to the fight against poverty.

However, in order to reach the objective of providing access to credit to 100 million of the poorest families in the world by 2005, the Campaign must take into consideration the changing environment in microfinance in the last five years, especially in Asia. The Grameen Bank has shown signs of stagnation, plagued by repayment problems and a low propensity to change. Grameen has only recently adapted its methodology to better serve its clients and taken positive action towards increasing financial transparency and accountability. In the meantime, alternative models have flourished and reached large scale, especially in Asia. The banking sector has developed its own successes thanks to BRI, BAAC and NABARD while commercialisation benefits have also reached wholesale funds and made possible the transformation of NGOs into formal financial institutions, such as CARD (Philippines), ACLEDA (Cambodia), Nirdhan (Nepal), First Microfinance Bank (Pakistan) and others. In the non-profit sector, some organisations have successfully improved the old Grameen model, such as ASA in Bangladesh and SHARE in India, or developed alternative models through self-help groups, cooperatives, and individual lending.

To achieve its goal, the MCS Campaign needs to decentralise its operations and get closer to the field, by establishing partnerships with large MFIs as well as with local and international networks. In this respect, in Asia the Foundation for Development Cooperation has developed and managed since 1996 the Banking with the Poor network, a unique microfinance forum gathering NGO, bank, regulatory agencies and supporting organisations (www.bwtp.org) which might be used as conduit in the MCS Campaign. This new approach could also be the opportunity to build local capacity to deepen and extend outreach, through advocacy, capacity building and information sharing. The MCS Campaign also needs to focus on successful schemes and countries with the highest potential impact on the poorest. It should pursue this goal while ensuring continuity and professionalism in its activities, thereby creating ripple effects on the microfinance sector as a whole.

Finally, to succeed, the MCS campaign needs to embrace the diversity of actors in microfinance by providing exposure to new and alternative methodologies, and giving equal importance to successful organisations within the full spectrum of financial provision, including community-based organisations, cooperatives, financial companies, wholesale funds, and banking institutions. It is only by working together that the microfinance community will reach the dual goal of deepening and increasing the impact of microfinance on the poor, and ultimately play an important role in the eradication of extreme poverty.

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