

Banking with the Poor Network A History of Asia's Regional Microfinance Network



B.W  **T.P.**
Banking With The Poor Network
Asia's regional microfinance network

20 Years of Working for
Greater Financial Inclusion in Asia

1990-2010

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Citi Foundation



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Glossary

› ACFOA	Australian Council for Overseas Aid
› ADB	Asian Development Bank
› AIDAB	Australian International Development Assistance Bureau (now AusAID)
› AMF	Asia Microfinance Forum
› ANS	Asia Network Summit
› APDC	Asian and Pacific Development Centre
› APEC	Asia-Pacific Economic Cooperation
› APRACA	Asian and Pacific Regional Agricultural Credit Association
› ARCM	Asia Resource Centre for Microfinance
› ASEAN	Association of Southeast Asian Nations
› ASKI	Alalay Sa Kaunlaran Inc
› AusAID	Australian Agency for International Development (formally AIDAB)
› BAAC	Bank for Agriculture and Agricultural Cooperatives (Thailand)
› BMI	Berendina Microfinance Institute (GTE) Ltd
› BRI	Bank Rakyat Indonesia
› BSP	Bangko Sentral ng Pilipinas
› BWTP Network	Banking with the Poor Network
› CDF	Credit and Development Forum
› CECI	Canadian Centre for International Studies and Cooperation
› CGAP	Consultative Group to Assist the Poor
› CIDA	Canadian International Development Agency
› CIGAP	Credit for Income Generating Activities of the Poor
› CMA	Cambodia Microfinance Association
› CNSP	Citi Network Strengthening Program
› ESCAP	Economic and Social Commission for Asia and the Pacific
› FAO	Food and Agriculture Organization
› FASID	Foundation for Advanced Studies in International Development
› FDC	The Foundation for Development Cooperation
› FWWB	Friends of Women`s World Banking
› GKP	Global Knowledge Partnership

› GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
› ICT	Information and Communication Technology
› IDCJ	International Development Centre of Japan
› IFAD	International Fund for Agricultural Development
› IFIC	Institute for International Cooperation
› IODS	International Organisations Development Scheme
› JICA	Japan International Cooperation Agency
› KMBI	Kabalikat para sa Maunlad na Buhay, Inc.
› MCPI	Microfinance Council of the Philippines, Inc
› MCRIL	Micro Credit Rating International Ltd.
› MFI	Microfinance Institution
› MFWG	Lao PDR Microfinance Working Group
› NABARD	National Bank for Agriculture and Rural Development
› NCAT	Network Capacity Assessment
› NEED	Network of Entrepreneurship & Economic Development
› NGO	Non-governmental Organisations
› NSP	Network Strengthening Program
› ODA	Overseas Development Assistance
› OECD	Organisation for Economic Co-operation and Development
› OECF	Overseas Economic Cooperation Fund
› RMDC	Rural Microfinance Development Centre
› SBP	Sustainable Banking with the Poor (a World Bank program)
› SEDB	Singapore Economic Development Board
› SEEP	Small Enterprise and Promotion Network
› SHG	Self-help Groups
› SME	Small and Medium Enterprises
› UNDP	United Nations Development Programme
› UNCDF	United Nations Capital Development Fund
› USAID	United States Agency for International Development
› VDO	Voluntary Development Organisation
› WVI	World Vision International
› WSIS	World Summit on the Information Society

Foreword

2010 marks 20 years since Banking with the Poor was conceived by the Foundation for Development Cooperation (FDC).

In 1990, FDC's Board of Governors initiated FDC's first program, Banking with the Poor (BWTP), intended to demonstrate the efficacy of linkages between commercial banks on the one hand, and non-governmental organisations (NGOs) and self-help groups (SHGs) of the poor on the other, as a means for extending financial services to the poor on a sustainable basis. Since then, the BWTP Network has emerged and become the largest regional microfinance network in Asia, unique in its diversity of membership - comprising NGOs, SHGs, commercial banks, central banks, microfinance networks, non-bank financial institutions and cooperatives.

Over the years, BWTP evolved from an action research and advocacy program into an association of diverse but like-minded microfinance stakeholders keen to improve the quality of life of the poor by facilitating access to financial services through linkages between financial sector institutions, NGOs and SHGs. The latest chapter sees the formal incorporation of BWTP Network Limited in Singapore, in October 2010.

Seminal research conducted in the 1990s included *Best Practice in Banking with the Poor*, *The Role of Commercial Banks in Microfinance*, *Getting the Framework Right: Policy and Regulation for Microfinance in Asia*, and *The Role of Central Banks in Microfinance in Asia and the Pacific*. Subsequent research and publications targeted member needs and explored opportunities and innovation in areas such as remittances, ICT, e-banking, risk and disaster management, post-conflict situations, HIV/AIDS, financial innovation for the poor, and renewable energy.

More recently, the BWTP Network focused on furthering its platform for cooperation and peer learning, developing capacity building tools, conducting technical assistance exchanges, and providing operating support to members. Outreach, dissemination and information sharing has been achieved through various means, including workshops, seminars and conferences, development of the Asia Resource Centre for Microfinance (an online microfinance resource centre), and one-on-one technical exchanges between members.

Since 2006, the BWTP Network has convened the biennial Asia Microfinance Forum, which has now become the preeminent microfinance conference in the Asia region. The significance of this event was recognised in 2008 by one of Vietnam's most senior officials who said that whilst the Asia Microfinance Forum was a regional event, "it produced more benefits for Vietnam's microfinance industry than the last 10 years of technical assistance from the World Bank and IFC." A heartening endorsement.

The BWTP Network has often been at the forefront of general thinking in the microfinance industry – from early identification of the bankability of the poor, to the encouragement of linkages with commercial banks, to efforts to bring a broad-base of stakeholders together under one umbrella, to a focus on financial inclusion, the BWTP Network has been making meaningful contributions to the 20 million clients served by its members in Asia as well as to the world's microfinance community more broadly.

This history of the BWTP Network was produced as one component of many within the Citi Network Strengthening Program (CNSP). The Citi Foundation has been an active partner of FDC and the BWTP Network since 2005, and we acknowledge with appreciation the substantial support provided by the Foundation over this period. The BWTP Network is one of 12 microfinance networks (and one of four regional networks) which received support globally from

the Citi Foundation for the three years to the end of 2010. Among other things, the CNSP has provided the opportunity for the BWTP Network to invest in itself and as a consequence become a better network for its members and broader stakeholders. It has enabled members to enhance service delivery to their borrowers, outreach to the poor needing financial services, and contribute to professionalism of the microfinance sector more generally in Asia. This, in turn, allowed the BWTP Network to take the step toward organisational independence and a sustainable and useful future serving its members.

Our thanks to past and present staff and associates of FDC and BWTP Network members for their contributions to this publication, and in particular, Dr John Conroy and Mr Jamie Bedson for preparing this comprehensive history of the Banking with the Poor program and progression of the Network and its activities. Thank you also to Nina Nayar for her contributions to this history and the network over many years.

Lastly, BWTP would like to acknowledge Sally Trethewie for her initial research, formatting and layout of some sections of this publication.

R.G.(Bob) Lyon

Chairman

Foundation for Development Cooperation

Incorporation of BWTP Network Ltd is a milestone. It marks the germination of a unique idea supported by a seemingly unrelated group of people and organisations with a common goal, into an independent organisation focused on a mission of improving the quality of life of the poor through promoting and facilitating their access to sustainable financial services. Our sense of achievement to date is matched by an air of optimism at what the future holds for this young, dynamic organisation.

FDC originated, fostered and served as secretariat to the BWTP Network. Now that BWTP Network Ltd is newly independent, FDC will continue to take an active interest in it and provide encouragement to the organisation and its members. The prospect of the BWTP Network providing better and more services to its members, and members collectively working towards the vision of achieving greater financial inclusion particularly for the poor across Asia, is an exciting one.

Chandula Abeywickrema

Chairman

Banking with the Poor Network

Chapter One

Genesis and Inception of 'banking with the poor', 1990–1995

DEVELOPING THE IDEA OF MFI-COMMERCIAL PARTNERSHIPS AND THE 'LINKAGE' MECHANISM

Chapter One - Genesis and Inception of 'banking with the poor', 1990–1995

Developing the idea of MFI–commercial partnerships and the 'linkage' mechanism

1.1 Introduction

The Banking with the Poor (BWTP) network originated with an attempt to test the idea of providing financial services (principally, but not exclusively, credit) for the poor.

Trialling that method would involve assembling a disparate group of actors with the skills, capital and infrastructure needed for the task. But it was first of all necessary to convince them of the importance and feasibility of that task.

This account of the genesis of the BWTP Network necessarily commences with an account of the early activities of Foundation for Development Cooperation (FDC)¹, from whose early work program the network derives and with which it was, and has continued to be, closely entwined. *Banking with the Poor* was initiated by FDC as an 'action-research' project. The group of actors who came together to participate in it became, subsequently, the nucleus of the BWTP Network. They viewed themselves as a network from almost the beginning of their association. However the value of transforming that early informal network into a formalised association would only become apparent after a number of years, and with gathering evidence of the practical utility of the BWTP Network approach to financial service provision and poverty alleviation.

The early 'project' phase of Banking with the Poor focussed on engaging the formal banking sector, including both commercial bankers and regulators, with microfinance. This was a quite novel idea at the time, since Muhammad Yunus was capturing the imagination of many with his concept of a kind of 'separate development' for a financial system for the poor. Such a system would be quite unrelated to the formal banking system and was, instead, to be centred in the voluntary or community sector. Banking with the Poor, by contrast, aimed at linking microfinance institutions (and the self-help groups they had formed) with formal financial institutions. There was also significance in the form of words, 'banking *with* the poor', which characterised the process. The preposition '*with*' (rather than, '*for*') implied a collaborative or business-like relationship between financial institutions and clients. By contrast, 'banking *for* the poor' would have signalled a 'social-welfare' or dependent relationship, at odds with the philosophy of commercial linkages.

The project commenced with a focus on the Asian region and, more specifically, Southeast and South Asia. The primary achievement of the early period was to set up a collaborative process in which institutions in a number of countries trialled bank-NGO linkages for the provision of financial services, documented their activities and met periodically to compare experiences. This led to a series of publications exploring the implications, practical and financial, of banking with the poor.¹ These publications brought the idea of commercial engagement with microfinance to the attention of a broader public. A favourable reception in professional circles, positive reviews, and the active involvement of network members in professional debates, contributed to increasing the awareness of microfinance among governments, donor agencies, and commercial and central banks throughout the region.

¹ The majority of publications discussed herein are available at the FDC (www.fdc.org.au) and BWTP Network (www.bwtp.org) websites. A selected bibliography of FDC/BWTP Network publications is provided in Appendix 1.

1.2 FDC and the Genesis of the Banking with the Poor Project

The Foundation for Development Cooperation (FDC) was established on 12 March 1990 by the late K William (Bill) Taylor with the assistance of a distinguished group of Australians including the founding Chairman, Dr Brian Scott. Significantly, its Board included members who also sat on the Boards of Australian commercial banks. FDC was established with the aim (as its charter stated) *'to undertake, promote and support activities to improve the quality and increase the quantity of aid to and cooperation with developing countries'*. Its mandate called for it to do so through policy-oriented research, increasing public awareness, mobilising broader Australian and overseas interest and participation, and supporting non-governmental efforts to promote development, especially at the grassroots level. Initially, FDC's core budget derived entirely from independent private sources. It would later be supplemented by support from other foundations, corporations, individuals and government agencies. A significant institutional development grant to FDC from the Ford Foundation in 1993 was given, at least partly, in recognition of the developmental potential of the *banking with the poor* mechanism. The Ford resources were not applied directly to banking with the poor activities, but allowed FDC to realise the fuller scope of its mandate, by acting as an independent 'think-tank' and a catalyst for international development and cooperation.

Banking with the Poor was the first project initiated by the FDC.² According to FDC founder Bill Taylor, the project arose from the belief that effective and lasting poverty alleviation must be



Mr K William (Bill) Taylor,
founder FDC/BWTP

based on increased self-reliance for the poor. Mr Taylor noted that the creative and productive capacities of the poor could be liberated by their increased access to credit, and that the poor are good credit risks and fully 'bankable'. He recognised that better personal saving habits contribute to an increase in domestic savings which, in turn, strengthens the national financial systems, enabling banks and other financial institutions to provide sustainable flows of credit to the poor. Linkages between commercial banks on the one hand, and NGOs and self-help groups of the poor on the other, were seen as the key to extending credit to poor.

In 1991, FDC commissioned Mr Ganesh B Thapa, former Governor of the Central Bank of Nepal, to recruit senior commercial bankers for the BWTP Network project and to introduce them to the leaders of major NGOs engaged in microfinance. These bankers and NGO leaders agreed to attend the first Asia-Pacific Regional Workshop on Banking with the Poor, which was conducted in

The 'Linkage Approach' in Microfinance

The 'linkage approach' championed by FDC and the BWTP Network in Asia focuses on linking the formal and informal financial sectors, for example, commercial banks with self-help groups. Self-help groups are village-based financial intermediaries usually composed of between 10-20 women members. The National Bank for Rural Development (NABARD) in India, a BWTP Network member, was the first bank to successfully scale-up the linkage model.

May of that year in Manila, the Philippines. Staff of AIDAB (now AusAID), the World Bank and the Asian Development Bank also attended. The task of the workshop was to consider how Asian banks and NGOs could 'explore, demonstrate and publicise the scope for increased access to credit for the poor on a sound commercial basis'. The means proposed at the workshop to achieve this goal was a 'linkage mechanism' involving commercial tie-ups between banks, NGOs and self-help groups of the poor. Important early support also came to FDC in Brisbane from two economists, John Dean and Jennifer Chalmers, seconded from the Australian Bankers Association membership.

At the Manila workshop, senior executives of commercial banks and NGOs from eight Asian countries (Bangladesh, India, Indonesia, Malaysia, Nepal, Pakistan, Philippines and Sri Lanka) committed themselves to establish such linkages on a pilot basis, and to prepare case studies of the provision of credit to the poor through these linkages. The resulting case studies were subsequently examined by a second Asia-Pacific regional workshop on Banking with the Poor. This was mounted in Kuala Lumpur (Malaysia) in 1992. The workshop proved to be a breakthrough; it was the first time that such a significant international dialogue had occurred between banks and NGOs. Also significant was the presence at the meeting of central bank officials from two countries, setting the pattern of participation by financial regulators that would become a feature of the banking with the poor process.



Malaysia Regional Workshop

Leading the Second Regional workshop on Banking With the Poor, 1992. L - r: Ganesh Thapa, John Conroy, Bill Taylor, Jennifer Chalmers.

1.3 Learning about 'Banking with the Poor'

Representatives of the eight countries which had formed the nucleus of the group in Manila returned for a second workshop in Kuala Lumpur (Malaysia) in 1992. In addition, as part of the attempt to expand the scope and reach of microfinance, observers from Cambodia, China, Vietnam, Papua New Guinea and the Solomon Islands also attended, along with representatives from a number of bilateral and multilateral agencies. These included the Australian International Development Assistance Bureau (AIDAB), the German Agency for Technical Cooperation (GTZ) and the Asian Development Bank (ADB). Other participants came from the Asian and Pacific Development Centre (APDC), the Asian and Pacific Regional Agricultural Credit Association (APRACA), the World Bank, the United Nations Development Programme (UNDP), the United Nations Capital Development Fund (UNCDF) and the Canadian International Development Agency (CIDA). As an indication of interest generated by the linkage approach to financial service provision for the poor, FDC was successful in attracting financial assistance to hold the workshop from AIDAB, the ADB and UNDP.

A draft report based on the recently completed linkage case studies was presented to the 1992 workshop. Participating banks and NGOs worked together to examine one another's operating methods, to consider how to reduce transaction costs and set interest rates, and how to overcome collateral obstacles to providing very small loans. The meeting debated and adopted the report, which made recommendations for the consideration of various categories of institutional actors deemed crucial to the process. These institutions were banks, governments, international development finance institutions, donors and NGOs. A media release from the workshop noted that an estimated one billion people were living in abject poverty, including some 800 million in the Asia Pacific region alone.

'I am really impressed with the facts and conclusions outlined by the report and I am certain many countries and agencies will strongly consider implementing the proposed programme.'

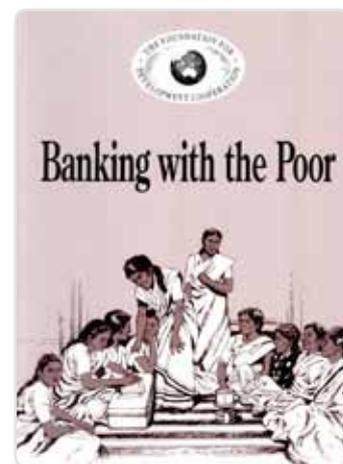
Malaysian Minister for Agriculture in response to the publication of the first 'Banking with the Poor' report.

Widespread implementation of the workshop recommendations would, it was claimed, revolutionise thinking about programs of action to alleviate poverty. Rather than relying on 'top-down' approaches, banking with the poor techniques emphasised self-reliance and providing essential financial services, especially credit, for self-help and development. With financial assistance from the World Bank, the report was published within the year by FDC, and titled *Banking with the Poor*. It was to become a widely read and influential document.³

A campaign of advocacy designed to influence decision-makers commenced very soon after '*Banking with the Poor*' appeared, using the book as its primary tool. Hundreds of copies were circulated to governments in the Asia-Pacific region, to bilateral and multilateral development institutions and international NGOs, and to commercial banks and domestic NGOs. Consistent with FDC's early focus on regulatory issues, *Banking with the Poor* was hand-delivered within a relatively short period of time to central bank governors and senior regulators in countries of the region, commencing with the eight 'nucleus' countries.⁴

Further opportunities to disseminate information about the linkage approach to microfinance soon arose when FDC was approached by the Development Research Centre of the University of Cologne for it to republish *Banking with the*

Poor in Germany. The resulting monograph gained a substantial European readership, further extending the reach and influence of the linkage approach to financial service provision. Additionally, FDC felt the need to produce a more accessible account, and the Foundation published a 'popular' version of *Banking with the Poor* in 1993. This was titled *Access to Credit: Creating Income and Jobs for the World's Poor*, written in easy-to-read style and designed for educators and students, as well as for persons with a non-technical interest in microfinance.



Banking With the Poor, a landmark book on the linkage approach published in 1993.



Presentations at the BWTP workshop in Bangladesh, 1993. l – r: Dr John Conroy (FDC), Mr Ganesh Thapa (FDC), Mr S M Al-Husainy (Swanirvar Bangladesh)

In addition, FDC had collected a considerable amount of reference material on financial services for the poor. To share this material with other workers in the field, it was decided to prepare a bibliography, *Microcredit for Enterprise: Banking with the Poor*. This contained more than 300 entries, reflecting the growth in activity and knowledge in the field to 1993. A booklet titled *Building Self-help Groups* was also published

as a follow-up to *Banking with the Poor*. It was intended as a guide to NGOs on the formation and training of self-help groups and contained guiding principles for their operations and linkages with banks. This book was prepared in collaboration with the BWTP Network partner NGOs in India and the Philippines and drew on their working experience.

FDC's success in documenting and propagating the linkage approach to microfinance attracted the attention of the UN Development Programme (UNDP), which was impressed by FDC's active cooperation with a 'network' of banks and NGOs in the region. Negotiations with UNDP commenced during 1992 for it to support a more intensive phase of activity in the eight participating Asian countries. However, pressure from Bangladesh, where strong banking sector and government interest appeared to make an urgent follow-up essential, stimulated FDC to 'jump the gun' by self-funding a meeting in Dhaka in February 1993. Later, with UNDP support assured, this new phase of the Banking with the Poor project continued with a series of national workshops, described below. These were conducted by FDC under the auspices of the UNDP's Regional Programme on Credit for Income Generating Activities of the Poor (CIGAP), eventually becoming a multi-year partnership⁵.

The purpose of the Dhaka workshop was to follow up on issues relating to Bangladesh raised at the Second Asia-Pacific Regional Workshop in Kuala Lumpur in July 1992. The workshop attracted high level participation, indicating the importance placed on microcredit by the Government of Bangladesh. The Minister for Finance at the time, Mr M Saifur Rahman, and the Secretary of his Ministry, Mr Nasimuddin Ahmed, both addressed the workshop. The opening session was chaired by the Governor of the Central Bank of Bangladesh, Mr Khorshed Alam, and attended by some 90 guests including senior civil servants, the chief executives of major commercial banks, and



Advocates for Banking With the Poor; John Conroy and Ganesh Thapa speaking to BWTP meeting delegates.

leaders of major non-government organisations (NGOs). Representatives of the World Bank, the Asian Development Bank, bilateral donor agencies and the media were also present.

At a subsequent working session, 36 invited representatives of banks and NGOs discussed the report of *Banking with the Poor*. FDC's senior consultant, Governor Thapa, outlined the report's recommendations for policy and action. These were directed to the Government of Bangladesh and other national institutions, as well as international agencies active in the country. Governor Thapa observed that the eight BWTP case studies clearly showed that the poor were bankable, that access to credit is more important than its cost, and that credit to the poor can be provided viably and sustainably at commercial interest rates. Dr John Conroy, FDC's Executive Director, requested the Bangladesh collaborating institutions, Janata Bank and Swanirvar Bangladesh, to take part in a further series of activities. These would include monitoring the progress of policy reforms relevant to *Banking with the Poor* in Bangladesh, and reviewing the scope and efficiency of microcredit delivery in the country.

1.4 United Nations Support for Banking with the Poor

With UNDP assistance, and encouraged by high-level support received from both government and central bank in Bangladesh, FDC representatives visited Indonesia, Malaysia, Philippines, Sri Lanka, India, Pakistan and Nepal, to secure their endorsement and collaboration, and to make detailed arrangements for similar 'country workshops' scheduled for late 1993 and early 1994. The reception in all six countries was encouraging, reflecting the emerging interest this new approach to financial services for the poor had gained. Only in Malaysia was FDC representatives unable to secure official endorsement, and no country workshop was held. The official Malaysian view, in the context of rapid economic growth and a declining incidence of poverty, appeared to be that Malaysia would be adequately served by the government-subsidised credit schemes for disadvantaged social groups. However, the experience of the Asian financial crisis (from 1997) encouraged Bank Negara Malaysia (the central bank) to finally pay some attention to microfinance; although commercialised approaches, now common in most of the region, have never flourished in Malaysia.

An additional component of the UNDP-funded activities was the dissemination of the results of the research phase of *Banking with the Poor* in island countries of the South Pacific during 1993. The first stage of these consultations involved Bill Taylor and John Conroy visiting Fiji. Afterwards Bill continued on to Western Samoa, Tonga and Vanuatu, while John visited Papua New Guinea. FDC Program Officer Mark Otter joined Bill in Vanuatu and then proceeded to Solomon Islands, Nauru, Kiribati and Tuvalu. In these countries the Foundation's representatives met central and commercial bankers, government officials and NGO leaders to discuss linkage banking and its potential to reduce poverty, which was by then becoming more apparent in the South Pacific. Historically, saving and loan cooperatives had

been established in the region to provide financial services to lower-income groups, often with rather patchy results. This UNDP-supported activity was the first coherent attempt to involve the commercial banking sector in microfinance.

1.5 Early Promotion of the Linkage Approach – 1993 – 94

1.5.1 The Philippines: tentative steps towards commercialisation

Two important meetings in Manila, in December 1993, marked the start of a new phase for the Banking with the Poor network. In what was to become the pattern for events in a number of countries, separate national workshops were mounted for commercial bankers and NGO leaders to inform them about the report and its recommendations. Both meetings attracted intense interest, with a strong sense that the time was ripe in the Philippines to build upon the tentative experiments with linkages that had occurred up to that point.

The National Bankers Workshop was held in December 1993, co-sponsored jointly by the Central Bank and the Bankers' Association of the Philippines. Central Bank Governor, Gabriel Singson, and Bankers' Association President, Octavio Espiritu, addressed the opening session. Noting that some 58 percent of the population of the Philippines lives below that country's poverty line, the Governor quoted with approval the conclusion of the Report that the poor are bankable, adding that the provision of credit to the poor '*can make a marked difference in their lives, by enhancing income and employment opportunities*'. Mr Singson reminded his audience of senior commercial bankers that '*micro-financing services could be provided to the poor on a commercial yet affordable basis, as part of the growth of the financial sector in a third world economy*'. Achievement of these objectives would '*usher in a new episode in the financial development process of the third world, as it expands the reach*

of the formal financial sector to new sectors of the population, mobilises new sources of savings, taps new markets for credit, and... improves the prospects for economic development of poor countries'.

This gratifying endorsement was heard by Australian Ambassador Mack Williams, and representatives of UNDP, the Asian Development Bank, USAID, and the Canadian International Development Agency, together with senior executives of more than 30 Philippines private banks. They heard network members from the Philippines, including Ricardo Balbido Jr, Vice President of BPI Family Bank, and NGO executives Benjie Montemayor, Executive Director of TSPI and Noel Alcaide of KMBI describe their linkages with Bank BPI. They briefed the bank audience on their experience of disbursing funds sourced from the commercial banking system, at low cost and with high repayment rates. The ensuing dialogue covered a range of practical issues, including collateral requirements, interest rates and contractual arrangements. A number of bankers announced their interest in finding NGO partners and requested a list of interested NGOs. The discussion also clarified the information requirements of commercial bankers when assessing NGO partners, as well as weaknesses in the capacity of NGOs to furnish appropriate data. The meeting discussed ways of filling this information gap.

The following day, more than 60 non-government organisations attended a two-day workshop in Manila. Ten of the 13 regions in the Philippines were represented, making it a genuinely national event. The meeting was organised with the help of the Manila-based Centre for Community Transformation, headed by Professor Ruth Callanta, a member of FDC's Program Advisory Panel. Although a substantial majority of these NGOs were already lending to the poor, usually with associated savings schemes, very few

had come to the point of linking with banks. A significant majority (over 50) expressed a firm interest in doing so. They heard presentations from UNDP, and from FDC consultants G.B. Thapa (Nepal) and V. Puhazhendhi (India) on international experience with NGO/bank linkages, and Philippine members of the network described the mechanics of linkage arrangements. FDC representatives Bill Taylor and G.B. Thapa led a lively session at which recommendations of the Report on BWTP, directed specifically to NGOs, were discussed. John Conroy presented recommendations to aid donors, to which representatives of AIDAB, USAID and CIDA responded with comments. NGOs expressing interest in seeking linkage partners among the commercial banks were invited to register and to provide information on their current operations.

However, notwithstanding the positive responses from both bankers and NGO executives, it was evident that a further change of thinking would be necessary on both sides. For the most part, bankers still appeared hesitant to commit to genuinely commercial arrangements, with some intending to channel relatively modest funding to NGOs via charitable foundations rather than booking loans 'on balance sheet'. On the part of NGOs, the very notion of commerciality in relationships and in loan contract terms appeared foreign to many, with a strong 'subsidy-entitlement' mentality still apparent. Broadly similar attitudes and obstacles were, to a greater or less extent, to become apparent in parallel meetings in other countries. Changing these attitudes would require much time. This process was to be tragically delayed in the Philippines by the financial crisis, from 1997. In the face of financial turmoil bankers became extremely risk-averse, regardless of good performance by their NGO borrowers, and lines of credit for microfinance institutions (MFIs) were withdrawn. It would take a number of years for before the pace of linkage-formation to pick up again.

1.5.2 Sri Lanka: unprecedented high-level access

With the President of Sri Lanka presiding, around 170 people gathered in Colombo to attend the opening session of the *Banking with the Poor* national workshop for bankers in January 1994. Participants represented the Sri Lankan commercial banking community, the central bank, other government agencies, NGOs and international agencies. The workshop, held on the premises of the Central Bank of Sri Lanka, was opened by President D.B. Wijetunge, and addressed by Mr H.B. Disanayaka, Governor of the Central Bank and Mr Rienzie T. Wijetilleke, Managing Director of Hatton National Bank (a network member), among others. Both President and Governor endorsed the thrust of banking with the poor, with senior central bank staff committing to further close examination of the linkage methodology. Though the corrosive effects of subsidised credit were generally admitted, in hindsight it must be acknowledged that the realities of political economy have continued to operate in Sri Lanka, as have subsidised credit schemes, even after nearly two decades. Indeed, the issue remained high on the agenda during the Asia Microfinance Forum 2010 in Colombo, with the sector still grappling with the suggestion of further government subsidisation of loans under the new microfinance act.

A second workshop in Sri Lanka, attended by some 70 representatives of 38 Sri Lankan NGOs, was held several days later at the Central Bank Rural Staff Training Centre in Colombo. They were joined by senior Central Bank officials and commercial bankers. Among other positive outcomes, participants adopted an action plan to establish a mechanism for coordination of NGO microfinance efforts, and to communicate with the banks on behalf of NGOs. This was endorsed by key players who stood to benefit from having a coordinating body of MFIs to deal with. Representatives of the Janasaviya Trust Fund, Hatton National Bank and the Central Bank each pledged the support of their respective organisations.

This was almost certainly the first time that any proposal for NGO coordination, in matters relating to microfinance, had been agreed in Sri Lanka's famously competitive and politicised voluntary sector. However, despite the good intentions, little progress would occur in the Sri Lanka sector, at least in the short term. A number of subsequent attempts, occurring over more than a decade, and inspired by various external actors, would be necessary before any real coordination was achieved. Among the lessons to be drawn from this early experience of action for banking with the poor in Sri Lanka is an understanding of the intractability of many of the issues, both there and elsewhere. However with FDC initiating the necessary process in Sri Lanka, by 2010 the country, whatever the continuing deficiencies in its microfinance framework, had become a driving force behind the now-formalised BWTP Network.

1.5.3 India: emerging powerhouse of linkage-based microfinance

The Banking with the Poor Indian national workshop for bankers was held in late January 1994 in Bombay. This workshop was held with the assistance of the Indian Banks' Association and under the patronage of the Reserve Bank of India. Almost 80 leaders of the Indian banking industry from 30 major commercial banks, together with officials of the Reserve Bank, the National Bank for Agriculture and Rural Development (NABARD), other financial institutions, the Indian Institute of Bankers, NGOs and international agencies participated. AVARD and MYRADA



FDC and NABARD representatives at the Indian national workshop, L – R: B.B.Marashetti (NABARD), John Conroy (FDC), Bill Taylor (FDC), P.Kotaiah (Chairman, NABARD), Ganesh Thapa (FDC).



Ms Vijayalakshmi Das Friends of Womens World Banking, a leading participant in early BWTP workshops and meetings, at the India National workshop'

jointly organised the second of the Indian workshops - for NGOs - at Bangalore in February 1994. A number of delegates also attended a field trip to meet MYRADA self-help groups. Total attendance was 40, with 25 delegates from 21 NGOs representative of major regions of India. Representatives of the Indian banking community at the meeting included NABARD's Chairman, Mr P. Kotaiah, the Executive Director of the Reserve Bank of India, Ms I.T. Vaz, and senior executives of commercial banks headquartered in Bangalore. A representative of the newly-established National Women's Credit Fund also participated.

A significant aspect of this 1994 effort to disseminate the idea of linkage banking in India is that several of FDC's allies at the event, notably NABARD and MYRADA, proved to be key players in the subsequent enormous expansion of commercialised linkage banking involving 'self-help groups'. In no other country has this approach to the provision of grassroots financial services become so institutionalised, so massive in outreach, or so successful. Initial scepticism, evident among some bankers who participated

in 1994 and at subsequent network events, was dissipated in time by the success of innovative private sector initiatives. Some of these had been informed or inspired by the ideas of *Banking with the Poor*.

1.5.4 Pakistan: a difficult environment for microfinance

The Pakistan Country Workshop, held at the headquarters of Habib Bank in Karachi in mid-February 1994, was a combined meeting for both banks and NGOs. More than 50 banking executives, officials of NGOs and representatives of international agencies attended, and the event was conducted with the support of Habib Bank and the Pakistan Banking Council. Philip Knight, Australia's High Commissioner to Pakistan, inaugurated the workshop, and the keynote address was delivered by the Governor of the State Bank of Pakistan (the Central Bank), Dr M. Yaqub.

Pakistan, then as now, was a country with pervasive governance problems. Domination of the banking sector by state-owned banks and the politicisation of lending were impediments to the development of sustainable microfinance (as they were to financial development more broadly). However there were some strong civil society elements feeling their way towards local-level solutions, along with able public servants operating under systemic constraints. Subsequently, during the 1990s, the association of some Pakistani institutions with *Banking with*



Delegates attending the 'Sharing Microfinance Resources and Knowledge in South Asia' workshop in Kathmandu, Nepal 1994

the Poor would enable important contributions to be made to an understanding of the policy and regulatory environment for microfinance in Pakistan. These contributions are discussed below.

1.5.5 Nepal: looking for new approaches

The positive influence of FDC's consultant for Banking with the Poor, Governor Ganesh B Thapa, was nowhere more obvious than in Nepal, where he secured high-level participation at two country workshops conducted for the UNDP program. NGO leaders meeting in Kathmandu in February 1994 adopted a strong program of action designed to equip Nepali NGOs for linkages with banks. They agreed to form an action committee to act as a pressure group on behalf of NGOs, liaising with the Nepal Rastra Bank (the Central Bank) and the Nepal Bankers' Association. Such arrangements have continued in one form or another ever since, with Governor Thapa, in a personal capacity, playing a leading role at the interface between MFIs and the formal financial system. Again in February 1994, on a separate occasion, more than 50 representatives of commercial banks, other financial institutions, international agencies and NGOs attended a bankers' workshop in Kathmandu. Governor H.S. Tripathi of the Central Bank, delivering the keynote address, outlined the 20 year history of the Government of Nepal's attempts at channelling credit, usually on subsidised terms, to those in absolute poverty (reckoned, on a contemporary estimate, to number some 49 per cent of the population), and noted that the results of those efforts had been, at best, disappointing.

1.5.6 Indonesia: a diverse and complex landscape

The seventh national workshop in the series conducted with UNDP support was held in the Indonesian capital of Jakarta in September 1994. The workshop was jointly hosted by Bank Indonesia (the Central Bank) and FDC. Bank Indonesia (BI) provided its auditorium as the venue and its Governor, Dr Sudradjat Djiwandono, gave the opening address. Bank Indonesia



Speakers at the Indonesia national workshop included John Conroy (at far right), John Davidson from AusAID (second from right) and the Governor of Bank Indonesia, Dr Sudradjat Djiwandono (second from left).

was already a pioneer in trialling bank-NGO linkages, conducted since 1989 in collaboration with the German agency GTZ. Under the then Suharto regime, these linkages were conducted largely by state-owned banks and involved the disbursement of subsidised central bank liquidity. Due to pressure from the IMF and other international agencies it was becoming more difficult for the Government of Indonesia to justify the disbursement of 'fiat' money in a context of politicised financial institutions.

The Bank saw the workshop as an opportunity to review its linkage program in relation to broader national programs of poverty alleviation under the Indonesian five-year plan 1994–1999. In particular, (echoing concerns noted earlier for Sri Lanka) BI management was interested in the potential for independent cooperation and communication between NGOs involved in its linkage program. A specific operational concern was to discuss how the linkage program could be dovetailed with new government programs for villages with a high incidence of poverty. The FDC-UNDP event provided a useful platform for these issues to be canvassed.

In hindsight, it is clear that working in Indonesia provided a reality check for FDC. For the Foundation, the experience was a catalyst in opening up new possibilities for the provision of financial services for the poor. Indonesia gave FDC insights into a wider range of modalities, providing instances of both the best and worst

models of microfinance service provision. Over time these ranged from politically-inspired mass programs of credit provision, to highly innovative and financially sustainable models of commercial microcredit based upon mass savings mobilisation among low-income people. The linkage model appeared to sit somewhere in between these extremes. Its potential for expansion appeared handicapped by Suharto's suppression of independent self-help activities (which might otherwise, as in India, have revealed the potential of a grassroots financial movement) and it was also co-opted by the regime for political purposes. Indonesian influence would, in time, become reflected in a broadening membership of the informal banking with the poor network and in the scope of its activities.

1.5.7 Consultation in the South Pacific: the unploughed field

A report on South Pacific consultations undertaken by FDC under the auspices of UNDP was issued in late 1993. A number of the South Pacific organisations contacted by FDC were also present at the Second South Pacific Credit Unions Conference in Sydney in February 1994. Those attending were representatives of South Pacific Credit Union Leagues, South Pacific and Australian NGOs, governments, Central Banks and AIDAB. FDC Program Officer Mark Otter represented the Foundation and briefed participants on *Banking with the Poor*. While the meeting focused on issues affecting credit unions in the region, there was considerable discussion of the appropriate role of external donor agencies and the policy functions of governments in facilitating, but not subsidizing, credit schemes. Echoing discussions at the *Banking with the Poor* country workshops in Asia, many participants embraced the theme of partnership between equals, rather than donor/recipient relationships.

As a result of growing acquaintance with the embryonic attempts at microfinance occurring in some of the Pacific island countries, at this early stage FDC came to the conclusion that little purpose would be served by attempting to expand

its network of collaborating institutions beyond Asia to include the Pacific. Interests and concerns of practitioners in the two regions were widely divergent and it was apparent that any systematic trial of bank/NGO/self-help-group linkages would be premature in the region. Among the reasons for this were the small size and quite different economic structures of the small island states. For example, several of the larger Pacific countries still had substantial un-monetized subsistence agricultural sectors, while all appeared to have rather limited 'informal economy' activity in such fields as trade and services. NGO movements in the region were in general rather undeveloped, while commercial banks focused almost entirely on service provision for the small 'modern' sectors, often dominated by expatriates. S&Ls or credit unions already existed in many of the states, limiting the scope for alternative institutions serving small populations.

While it appeared that Pacific representatives had benefited from exposure to *banking with the poor* activities funded by UNDP, it seemed necessary for FDC to tailor program activities more specifically for the Pacific in future. This would enable potential microfinance practitioners to advance at their own pace and to set up channels of communication within their own region. Indeed, this occurred (although much later) when FDC initiated, in consultation with the Pacific microfinance industry, the launch of the Microfinance Pasifika Network in 2006.

1.5.8 Network Research on Transaction Costs taken up by the OECD

In addition to country workshops and consultations over the period 1993-1994, an additional component of network activities supported by the UNDP grant involved research studies. These were directed at measuring the 'transaction costs' of micro-lending incurred by leading institutions associated with *banking with the poor*. The linkage mechanism, involving dealings between banks, NGOs and self-help groups, depends for its sustainability on minimising costs incurred by the institutions

involved, as well as those incurred by borrowers who access their services. Costs related to such transactions, including the cost of assessing creditworthiness and administering loans, are known as 'transaction' costs. Consumers are also influenced by other costs, including opportunity costs, of their dealings with institutions. Minimising costs should enable interest rates to be brought down for consumers, while assuring adequate margins for the institutions concerned.

In order to examine these propositions, two studies were commissioned by FDC, in India and the Philippines. This was quite innovative research, employing national researchers in each case and gathering data from the field operations of *banking with the poor* network partner institutions. The objective was to quantify the transaction costs of commercial banks and NGOs in lending to the poor, as well as the transaction costs incurred by the borrowers. Results were published in two FDC monographs, the first of which was NABARD researcher V Puhazhendhi's *Transaction Costs of Lending to the Rural Poor: NGOs and SHGs of the Poor as Intermediaries for Banks in India (1995)*.⁶ Two Philippine researchers, G M Llanto and R T Chua, of the Philippine Institute of Development Studies and the Asian Institute of Management, respectively, prepared a parallel study *Transaction Costs of Lending to the Poor: A Case Study of Two Philippine NGOs (1996)*.⁷

A synthesis of the research findings was presented in a single study, *Bank-NGO Linkages and the Transaction Costs of Lending to the Poor Through Groups: Evidence from India and the Philippines*, prepared by Paul McGuire and John Conroy.⁸ This was presented at an Organisation for Economic Co-operation and Development (OECD) meeting in Paris in April 1996, while an abridged version appeared in the March 1997 edition of the journal *Small Enterprise Development*. As well as producing an agenda for further cost reduction, subsequently taken up by institutions in a number of countries, the work has been much-cited by later researchers as a methodological benchmark.

1.6 Striving for 'Best Practice' Principles for Banking with the Poor

A third Asia-Pacific regional workshop, supported by UNDP, was held in the FDC's home city of Brisbane in 1994. Financial assistance for the workshop was received from UNDP, completing FDC's association with the CIGAP project, while the Australian Government funded several delegates from developing countries. In preparation for the event, FDC had worked with network partners to review the continuing progress of their linkages and to analyse the potential and problems of these arrangements. The analysis involved attention to the performance of various actors whose participation is essential to success. These actors are the commercial banks,



Delegates of 28 countries represented at the Brisbane Regional Workshop in 1994.

NGOs and self-help groups among which linkages are concluded, and the governments and central banks which play policy and regulatory roles. External agencies, with the capacity to support both the institutional development of other actors and to seed-fund their activities, are another group of interest.

When the Third Regional Workshop convened in Brisbane, FDC presented participants with a report on 'best practice' principles for linkage banking drawn from two years of consultation under the UNDP program. Titled *Best Practice of Banking with the Poor*,⁹ it documented the efforts of network partners and distilled their experience. As its introduction notes, the report 'suggests which methods and procedures appear, in the light of present experience and current economic, social and institutional conditions, to be 'best practice'. Readers were cautioned that the term "best" implies no suggestion of optimal practice. Instead the authors emphasised that '*Banking with the Poor* will continue to evolve and improve, and each network member will adapt BWTP principles for application in its own circumstances.'

Participants at the Brisbane meeting were drawn from a wide range of countries and institutions, reflecting considerable international interest in the *banking with the poor* approach to poverty alleviation. Some 70 organisations from 28 countries participated, including eight international development agencies (WB, ADB, OECD, UNDP, ESCAP, Asian Pacific Development Centre, South Pacific Forum Secretariat, and the Asia Pacific Rural and Agricultural Credit Association). There were five official bilateral aid donors (Australia, NZ, US, Norway, Germany) together with banks and NGOs from the eight original network countries.

The Brisbane event enabled FDC to report the results of network activities in support of the linkage mechanism during the previous two years of consultation under the UNDP program. As mentioned above, it presented a draft of the *Best Practice* report (published formally by

FDC a year later, in 1995) while the Indian and Philippine researchers discussed draft findings of the transaction cost studies commissioned in their countries. A pair of companion booklets, *How to Build Self-help Groups for Successful Banking with the Poor*,¹⁰ was also introduced at the workshop. These dealt with group organisation in, respectively, urban and rural settings and were prepared in collaboration with MFIs in the Philippines and India.

A new element, representation from four 'transitional economies' in the Mekong Basin region (Cambodia, Vietnam, Laos, and Yunnan Province of China), extended the reach of *banking with the poor* further into Asia¹¹. It allowed the conceptual framework of linkage banking to be explored in the very different economic environments of those four countries. For this purpose delegates from the Mekong sub-region participated in separate 'breakout' sessions with regional experts.

In addition, breakout sessions also catered to the interests of participants from nine Pacific island countries (PNG, Solomon Islands, Vanuatu, Western Samoa, Tonga, Kiribati, Fiji, Tuvalu and Cook Islands), representing NGOs, credit unions, banks and government agencies. FDC prepared a report on its consultations in the Pacific region (published as *Banking with the Poor in the South Pacific* in 1996)¹² and a draft version of this document provided a text for the discussions. It would however take another decade before FDC's efforts to cultivate a constituency for sustainable microfinance in the Pacific would bear fruit, but this gathering of Pacific island practitioners and officials was a milestone on that path.

Another initiative, which proved inconclusive, attempted to involve Australian Aboriginal representatives in the Brisbane workshop. FDC hoped to build links with Aboriginal organisations, with the intent to explore the relevance of microfinance to the conditions of communities in Aboriginal Australia. In the event it was concluded that the *banking with the poor* framework was

not an appropriate one for this purpose. Indeed, it remains an open question whether micro-enterprise development, supported by micro-financing, is an appropriate response to the social and economic disadvantage suffered by Australian Aborigines.

1.7 A Turning Point in Asian Microfinance

In retrospect, the Third Regional Workshop in Brisbane can be seen as significant in several respects. First, it offered clear proof of the potential of an Asian regional forum to track changes in the policy and regulatory environments for microfinance in member countries and to document the evolution of microfinance practice in them. In addition this new forum offered a means of exchanging and disseminating information about best practice microfinance, showing the value of exposing officials, regulators and practitioners to trends emerging in other jurisdictions. After the meetings of 1991 and 1992, those participating began to see themselves as members of a 'network'.

Secondly, the depth and range of international participation at the meeting was an indicator of the path-finding quality of the first (1992) *Banking with the Poor* report and of the degree of interest aroused by it. The second report, concerning *Best Practice*, made genuine advances in the understanding of how to implement and support the linkage mechanism. The network's transaction cost materials; its methodologies for self-help group formation and operation, and FDC's Pacific islands review (all presented at Brisbane in 1994) were similarly innovative and useful. However, microfinance was about to enter a period in which new issues would proliferate, and the linkage mechanism would, for a time, be relegated to low visibility. Perhaps for this reason, the network's new materials did not achieve the degree of 'take-up' that had greeted publication of the original *Banking with the Poor*. That report had been timely in tapping into a growing wave of



Microentrepreneurship in Viet Nam; a key aspect of the Brisbane workshop was informing stakeholders from the Mekong Region about microfinance.

interest in microfinance, and unique in attempting a comparative survey of the subject in Asia, at a time when materials on the region were scarce.

By 1994, some of the new and emerging concerns in microfinance appeared either to supercede linkages, or at least to offer alternative paths to providing financial services to the poor. For example, the issue of whether (and if so, how) successful NGOs could 'transform' themselves to regulated financial institution status appeared (on the surface, at least) to make NGO/commercial bank relationships less relevant. At the same time, Grameen and related micro-credit methodologies, whose practitioners mostly eschewed relationships with the formal financial sector, were experiencing extraordinary growth and capturing the attention of donors and international agencies. In the meantime the range, effectiveness and outreach of linkages continued to grow, although this phenomenon passed largely unremarked in the professional discourse

of microfinance. Only in the new century would linkage arrangements between commercial banks and other service providers come again to wide attention. In the meantime FDC and the network would have to broaden their approach in order to remain relevant in the rapidly changing landscape of microfinance.

A third significant aspect of the Brisbane program was FDC's effort to inform officials and the leaders of 'people's organizations' from Mekong Basin countries about microfinance. This promised to bring a new sub-region within the ambit of banking with the poor. All of the chosen countries were, to varying degrees, in 'transition' from socialist forms of economic organization. Thus, although divergent in many respects, they shared important characteristics, including growing appreciation of the need for banking and interest rate reform and increased private economic activity, together with a more permissive attitude to some NGO activities. Interactions at the workshop showed how great the gulf was between these economies and other network countries. Nonetheless, after much hard work, the BWTP Network in 2010 includes members from four Mekong Basin countries. This reflects flourishing microfinance in the sub-region, even though the economic and financial reform agendas of the transitional economies still have a long way to go, as does much of the microfinance practiced in the.

Finally, the Brisbane meeting saw the germ of another idea implanted. This was the notion of a financial services movement in the island Pacific, convened across an enormous expanse of ocean to support embryonic microfinance institutions and their governments. The *Microfinance Pasifika Network* would eventually be launched more than a decade later, in 2006. This initiative to propagate modern methods of microfinance, applicable in the Pacific setting, became possible only after years of further activity in the region by FDC. Sadly, it required a new willingness on the part of Pacific island governments, to acknowledge the

reality of the growing incidence of poverty in their populations, to lend impetus to the Network.

After Brisbane, the idea of transforming this informal grouping into a 'Network' began to take hold. This was by no means an inevitable development. *Banking with the Poor* had commenced as an 'action-research' project in 1991. After the 1992 meeting in Kuala Lumpur it might have been discontinued, had not FDC's Board of Directors been impressed by the enthusiasm of participants, and the manifest value of the knowledge generated by their collective efforts. These factors, and the support forthcoming from a number of international and bilateral agencies, encouraged FDC to continue the work.

1.8 The End of an Era

Banking with the poor came to the end of an era with the death of Bill Taylor, late in 1995. Earlier that year Bill had been appointed a member (AO) of the *Order of Australia*, among the highest civil honours the Commonwealth can bestow upon any citizen. This was, among other achievements, in recognition of his philanthropy and services to international development. Bill Taylor, AO, had conceived *banking with the poor*, with its focus on bank/NGO linkages and the self-help group methodology, in the late 1980s. He was influenced by, among other experiences, his familiarity with the 'solidarity group' form of organisation adopted by the Indian NGO MYRADA (which was to become a founding member of the network). He succeeded in establishing FDC by 1990 (a process which was itself quite a story, given that the legislative framework in Australia was not particularly hospitable to such a venture). Bill's first initiative for the new Foundation, in 1991, was to recommend to its Board the 'action-research' mode of operation. This characterised the early stages of the project and Bill continued to provide intellectual drive to the process until the end of his life.

1.9 The Establishment of a 'Banking with the Poor' Movement

The following year, in 1996, FDC's Board commissioned an internal review of the Foundation's engagement in *banking with the poor*. This was a decision point: whether FDC should continue the activity, or move on. The review concluded that by concentrating on linkages, involving so diverse a set of actors and extending its activities simultaneously to eight countries, the project had achieved a unique character. The network had won considerable recognition while the term '*banking with the poor*' had entered the professional vocabulary. Published materials were of high standard, contributing to a positive climate of opinion on microfinance in the Asia-Pacific region. In Australia, the influence of FDC and the network on AusAID's understanding of the issues was acknowledged.

Additionally, significant themes had been identified for further research, which the review accepted as strong grounds for FDC to invest further resources in the activity. Other factors supporting the continuation of the project included the network's regional and national workshops providing effective means for advocating sound microfinance principles. *Banking with the poor* had stimulated positive developments in a number of countries while microfinance activity in Asia overall had expanded greatly since the commencement of the project. Indeed, the timeliness of *banking with the poor* could be judged by the international community's creation of CGAP (the Consultative Group to Assist the Poor) in 1995.

To assist the poor, CGAP chose microfinance as its primary policy instrument, reflecting international recognition of the importance of financial services for the poor. The group was established as a multi-donor effort, led by the World Bank, and designed to increase resources devoted to microfinance. Its mandate was to support microfinance institutions delivering credit and/or savings services to the very poor on a sustainable basis. It also was required to support learning and dissemination of best practice. FDC was invited to join the *Consultative Forum of Microfinance Practitioners*, a group of the world's leading microfinance institutions, set up to advise CGAP.

As acceptance of the project's achievements grew, the feeling emerged amongst members that the time was ripe for the group of institutions associated with *banking with the poor* to take on a more formal shape. CGAP would play a role in the formalisation of the network, while the new BWTP network would extend its reach to a broader range of issues in the remaining years of the twentieth century.

Chapter Two

The Establishment of the BWTP Network, 1996-1999

Chapter Two - The Establishment of the BWTP Network, 1996-1999

2.1 Introduction

FDC's 1996 internal review of its engagement with *banking with the poor* was to prove decisive for the network. Among network partners, promising results of 'linkages' between MFIs and banks in several member countries encouraged optimism that this mechanism could provide sustainable financial services to the poor. A number of research opportunities had been identified that would enable network members to contribute to knowledge in new and high-priority areas, touching on issues of policy and regulation and commercial bank approaches to microfinance. For these reasons, and others, the Foundation committed to continuing support for the network's activities. FDC resolved to assist with its launch as a more formal entity, from 'network' to 'Network'.

2.2 Establishment of the BWTP Network

The establishment of CGAP in 1995 marked recognition of microfinance by the international community and strengthened the rationale

for an Asian regional network. Such a network could serve its members by representing Asian concerns and achievements to the international community and by keeping Asian microfinance practitioners informed of international trends and standards. One of CGAP's objectives was to identify and support such networks. During 1995 FDC commenced discussions with CGAP officials, hoping to have them accept the potential of the embryonic Asian network. These efforts bore fruit with the award by CGAP to FDC of a grant, one of the first batch of awards made by CGAP. This was to support an Asian regional meeting, to be held in Singapore in 1996. At this event, entities associated with the previous Asian regional workshops would be asked to consider the rationale for a 'BWTP Network' and if possible to commit to membership of it.

The inaugural meeting of the BWTP Network was held in Singapore from 8-10 July 1996, with representatives from 14 banks and 17 NGOs from nine Asian countries. In a highly significant gesture of interest, the central banks of India, Indonesia and the Philippines also sent representatives. Other participants included CGAP itself, as well as donors. The event realised a remarkable degree of consensus among BWTP members on the future organisation, role and activities of the Network. Members agreed to the principle of BWTP as an independent network. They identified, as critical



BWTP Network Meeting Singapore, 8-10 July 1996

issues, the forms of association with, and future activities of, the Network and agreed that its ultimate objective should be:

To increase the access of the poor to financial services, with particular reference to service provision by means of sustainable linkages between commercial banks and NGOs and self-help groups of the poor.

They agreed that the objective would best be achieved through activities such as research, advocacy, policy dialogue, awareness-building, and information-sharing. Members also considered that the Network should undertake capacity building and technological upgrading for institutions engaged in banking with the poor.

In retrospect, this objective appears to have been in one respect far-sighted and, in another, somewhat backward-looking. In respect of the first, the emphasis on 'linkages between commercial banks and NGOs and self-help groups of the poor' repeated a theme which had been central to all banking with the poor activities since their commencement in 1991. However in international circles new emphases and priorities were emerging. On the one hand, the NGO-MFI model of service provision associated with the Grameen Bank, which largely eschewed connection with formal banking institutions, was about to achieve stellar recognition due to its prominent involvement with the CGAP process and starring role in the Microcredit Summit. On the other hand, a trend was emerging for successful NGO-MFIs to transform themselves into regulated financial institutions. This 'transformation' model appeared to leap-frog over the machinery of 'linkages' and was for many practitioners an exciting, even glamorous, alternative.

Meanwhile, in the 'real world' of microfinance, commercial linkages continued to multiply, not only but most particularly in India. They would take many innovative forms which were to be recognised and documented in the 21st century,

What is a Microfinance Network?

Often, when people consider microfinance networks they think of networks that promote a particular methodology through their technical assistance (e.g. ACCION and Women's World Banking) and that may have a partial or whole equity stake in their members or partners (e.g. FINCA and Opportunity International). Country and regional microfinance networks (like the BWTP Network) are different in that they do not promote a particular methodology and they do not own their members. Rather the members are part owners themselves of the network as they pay annual membership fees and normally govern the network through seats on the Board of Directors. Members of these networks have a range of structures (NGO, regulated, commercial, government, shareholder), have diverse target clienteles, employ diverse methodologies, and operate independently of one another.

though by agencies other than CGAP.¹³ For the time being, however, they appeared to be 'old news'. By contrast, what has proved most durable about the objective agreed in Singapore was the emphasis on action to *increase the access of the poor to financial services*. Microcredit, as such, was not placed at the centre. Instead, access to a full suite of financial services was intended. This objective has proved

fully consistent with current understandings of the role of microfinance, expressed in the contemporary concern for 'financial inclusion'¹⁴.

The Singapore meeting considered alternative governance models for the Network: whether it should be a formally incorporated legal entity, a registered association or simply an informal entity or 'club'. If a formal identity was sought, there was the problem of finding an appropriate and hospitable legal jurisdiction. Australia, where FDC itself is incorporated, was not an appropriate legal base. Other countries in the region, including those of member institutions, typically required citizens to comprise a majority, or even the totality, of the boards of corporations or associations. This would be unacceptable to members from third countries. Inquiries made to authorities in Singapore suggested that citizenship was not a barrier to locating there; however no clear guidance was found as to how BWTP might be legally domiciled in the city-state. This was to change by 2010.

The meeting agreed it would be best for BWTP to adopt an informal, or 'club', model of organisation. To enable it to enter into contracts and funding agreements, a legally incorporated member institution must be prepared to act as 'fiscal agent' for the new Network. Since FDC was willing to provide interim support, including a BWTP secretariat, the problem of fiscal agency could be solved. Members considered that the Network should have a formal constitution spelling out matters such as objectives, governance, structure, membership, and the responsibilities of members. FDC's offer to provide the secretariat and to act as fiscal agent on an interim basis was accepted, although it was understood that the functions of secretariat and agency could be separated and that the location of both in an Asian country was to be a short- to mid-term goal. FDC pledged continuing commitment to Banking with the Poor in the meantime.

Among other activities, participants visited the Singapore offices of the Canadian International Development Research Centre, where they were given a briefing on the Centre's 'Pan-Asia Net' website. This was an opportunity to consider the usefulness of the worldwide web for their institutions and the possibility of a dedicated site for the BWTP Network. At a time when the web was comparatively new in the region, this experience proved influential for many BWTP members, encouraging the emergence of many new sites.

Participants requested FDC to conduct a feasibility study of establishing a site for the Network. It proved possible to launch a website before the end of 1997. From that date the BWTP Newsletter appeared online. This greatly expanded the circulation of the original print edition, which had been published since 1991. The new site also featured an updated version of BWTP Network's logo, profiles of member organisations, executive summaries or abstracts of all of the Network's publications, and an archive of *BWTP Newsletters*. In time, information about important events and links to other microfinance sites was added.

The meeting also heard a presentation from CGAP, explaining the Consultative Group's activities and how member institutions might benefit from them. FDC's senior consultant Governor GB Thapa reviewed the status of banking with the poor in member countries, based on recent visits to BWTP partners. FDC Program Officer Paul McGuire briefed members on the *Guiding Principles for Selecting and Supporting Intermediaries*, agreed in 1995 by the Committee of Donor Agencies for Small Enterprise Development and a Donor Working Group on Financial Sector Development. He presented a paper, *Accounting and Reporting Standards for Microfinance Institutions*, which made the case for adhering to sound and internationally-recognised accounting and reporting standards.¹⁵ The meeting resolved that Network members should commit, as a minimum, to adhere to the standards and principles set out in the 'Guiding Principles' document. This was a

reasonable compromise among a group whose diverse membership and range of activities, far greater than is usual among MFI networks, made a narrowly prescriptive approach unworkable.

In regard to the Network constitution, FDC agreed to prepare a draft for the membership to consider, based on understandings reached in Singapore. This was to be discussed at an early meeting of the membership. In the event, evidencing the genuinely consultative nature of the process, it would require two further Network meetings before final consensus could be secured. Fortunately, an opportunity to re-convene arose before the end of 1996. UNDP agreed to support a conference in Kuala Lumpur, *Bank Poor '96*, organised by the Asian and Pacific Development Centre. Practically all Network members were invited to participate in this event. By arranging for their early arrival in Kuala Lumpur, time was found for a one-day meeting to consider a draft constitution. This discussion made further progress and FDC was asked to finalise the draft. The membership approved a forward program of activities and agreed to reconvene in Bangkok, in November of 1997, to complete the constitutional process.

Reflecting the rapid changes occurring in the landscape of microfinance, the work program approved in Kuala Lumpur took the *banking with the poor* agenda in new directions. It was evident that the variety and achievements of microfinance in Asia were not well-represented in the international literature and that BWTP should work to correct this deficiency. After breaking new ground with *Banking with the Poor* and its successor, the *Best Practice* volume, the Network should go beyond regional surveys of best practice and instead consider new themes emerging in the international debate. These should be examined in the light of Asian circumstances, while Asian experience should be documented for the benefit of practitioners everywhere.

A review of international developments in the field identified two important problem areas for exploration. The first concerned the policy and

regulatory environment for microfinance, while the second dealt with the role of commercial banks. FDC committed itself to managing a 12 month research program, incorporating these themes, which would draw upon the experience of member institutions in all network countries. The problem of funding the exercise was approached with optimism. Surely the pioneer Asian regional network, especially one enjoying the support of commercial and central bankers in addition to the more traditional NGO/MFI participants, would not experience difficulty in securing resources for the purpose? The Network tasked FDC to make arrangements for the research and to find the necessary resources.

2.3 Getting the Framework Right and the Formalisation of the BWTP Network

2.3.1 Researching Regulation and Supervision in Asia – a BWTP Network First

Earlier BWTP publications had assisted in mapping the richness and variety of microfinance experience in the Asian region, exploring issues such as the outreach, effectiveness and sustainability of MFIs. Still, considerable gaps in knowledge remained, including how governments might play a constructive role in the growth and sustainability of the industry and how external agencies might best provide assistance. Although the roles of governments and regulators were canvassed in earlier BWTP studies, it now seemed timely to focus research specifically on issues of policy and regulation. The urgency of the task was underlined by the growing interest of governments and donors in supporting microfinance, with all its attendant risks, as well as opportunities. How, for example, could policy and regulation avoid the politicisation of micro-credit at the hands of governments and, instead, steer resources towards financial system-building for the benefit of lower-income people? Could donors be convinced to see microfinance as a means of financial development, rather than simply a device for achieving the goals of their

sectoral programs - in agriculture for instance, or the Small and Medium Enterprises (SME) sector - without serious regard for the sustainability of the mechanisms employed?

A second knowledge gap concerned the potential for commercial banks to play a role in microfinance. Although interest in the possibilities of commercialised microfinance was rising, comparatively few regulated financial institutions were actively involved in the field and, among those few, private for-profit commercial banks were still minor players. Yet rapid growth in outreach by MFIs was demonstrating how much unsatisfied demand for financial services existed beyond the reach of formal institutions. It appeared this demand gap might never be filled unless the capital, infrastructure and other resources of formal financial systems could be drawn into providing micro-financial services. Commercial banks would have to be encouraged to enter the field in significant numbers. Achieving this would require careful study of the successes and failures of commercial bank involvement in the field, and disseminating the lessons of such study.

Immediately after the Kuala Lumpur workshop, FDC commenced planning for these two pieces of research. A New York-based Australian consultant, Ms Ruth Goodwin-Groen, was tapped to join the planning team. The other members were FDC staff Paul McGuire and John Conroy, and FDC consultant Governor GB Thapa of Nepal. The team agreed to centre the research on the nine BWTP Network member countries¹⁶ commencing with Network member institutions before widening the circle of informants to include other significant industry players. The commercial bank study, with Ruth Goodwin as principal researcher, would concentrate on India and the Philippines, where significant commercial bank engagement in microfinance could be observed. The research design also called for information-gathering in the other seven countries to be done by a combination of deskwork and interviews. FDC was fortunate to secure support for Ms Goodwin's participation

There is considerable scope for regulated banks to become involved in microfinance. Some specialist MFIs may wish to establish regulated banks, and some traditional banks may wish to become involved in microfinance. The particular combination of supportive policy and regulatory environment and political leadership which underlies the success of Bank Rakyat Indonesia deserves close study throughout the region.

Getting the Framework Right,
(1998)

from AusAID, the Australian bilateral donor. In the case of the study of policy and regulation, it was decided to conduct fieldwork in all nine Network countries and to produce fully-documented 'country studies' for each. FDC staff McGuire, Conroy and Thapa would visit all countries for the purpose, aiming to capture and reflect the considerable diversity of experience in the region.

Early in 1997 FDC applied to CGAP, on behalf of the Network, for financial assistance to conduct the policy and regulation study, but was disappointed to find the request declined. Informal inquiries elicited the response that three studies of policy and regulation issues were to appear in 1997 and that a BWTP Network Asian study could be expected to add little to the accumulated knowledge. Since the three studies in question all proved to deal largely or wholly with conditions in Latin America, this response seemed to indicate a rather disappointingly Atlanto-centric mindset within the global agency responsible for microfinance. Failure to secure CGAP financing, and the dearth of alternative funding sources,



Sign of the Times: The Fourth Asia Pacific Regional Meeting in Bangkok.

plunged the project into crisis. Among the few alternative possibilities, AusAID was already committed to supporting the commercial bank study and in any case did not at this time regard 'systemic' research as an appropriate activity for support¹⁷.

FDC's Board viewed this funding rebuff quite seriously, and considered how to respond. Several Board members called for a re-evaluation of FDC's commitment to microfinance and questioned whether the Foundation should continue to devote the bulk of its modest income to the field. Perhaps it was time for FDC to acknowledge *banking with the poor's* successes and move on to a more diverse set of activities. The Board was influenced by the likely negative impact of an abrupt policy switch on the embryonic Network. It debated whether positive outcomes of the planned research, together with a successful Network launch, could establish BWTP as a credible candidate for funding in its own right. In the event, the Board resolved to accept full financial responsibility for completion of the research program and directed FDC staff to raise the money for an Asian regional microfinance conference and Network meeting. This decision, notwithstanding the undoubted success of the subsequent research program and meetings, would prove in time to have serious implications for FDC and the Network.

FDC staff members McGuire, Conroy and Thapa visited all nine countries in the BWTP network between March and June 1997. They conferred with member institutions and extended their enquiries to leading institutions and relevant authorities, as well as reviewing the available literature. In total, they conducted more than 250 interviews with microfinance practitioners, bankers, regulators and policymakers in the nine network countries. The trio prepared studies of the microfinance 'sector' in each country and of their policy and regulatory environments, while drawing together data and observations concerning the state of the industry across the region. These efforts resulted in a document that would be presented to the Bangkok meeting of BWTP in November 1997, consisting of nine individual country studies and a main, or synthesis, report. Also in Bangkok, network members would have the opportunity to review a study of the engagement of commercial banks with microfinance, conducted by Ruth Goodwin-Groen in cooperation with BWTP member institutions in the Philippines and India.

2.3.2 The BWTP Network's Asia Pacific Regional Meeting, Bangkok 1997

For the fourth BWTP Network meeting it proved possible to identify a number of sources of financial support for the costs of the meeting and to secure a strategic partnership. Aside from FDC, generous contributions came from the World Bank, the Ford and Japan Foundations and AusAID. The BWTP Network continued to find that it proved easier to finance the distribution of knowledge than to fund its production.

A strategic partnership which helped assure the success of the Bangkok event was effected with organisers of the World Bank's '*Sustainable Banking with the Poor*' program (SBP)¹⁸. SBP was looking for an opportunity to conduct an Asian regional consultation, to disseminate research findings and to trial the draft of a new *Microfinance Handbook*¹⁹. The BWTP Network provided this opportunity by gathering 98 participants, including BWTP members,

representatives of three 'Mekong Basin' countries, other practitioners nominated by SBP along with its own researchers, delegates from Donor agencies and self-funded persons, including four Japanese participants, with a representative of the International Development Centre of Japan. This would later prove significant in opening the doors for BWTP to conduct activities in Japan. The meeting opened under the shadow of a developing economic crisis in the East Asian region, the early effects of which were already evident in Bangkok.

The synthesis report on Asian policy and regulation issues, *Getting the Framework Right* by McGuire *et al*, was the centre-piece of the program. It drew heavily on the country studies, highlighting policy measures that appeared successful. It identified key elements of an appropriate policy and regulatory environment to encourage the growth of sustainable microfinance in the region. Taking a broad view of the policy and regulatory environment, the report analysed arrangements by which governments and donor agencies provided support for microfinance. It considered the regulatory framework for non-bank MFIs, with a particular focus on how to ensure high performance and reporting standards

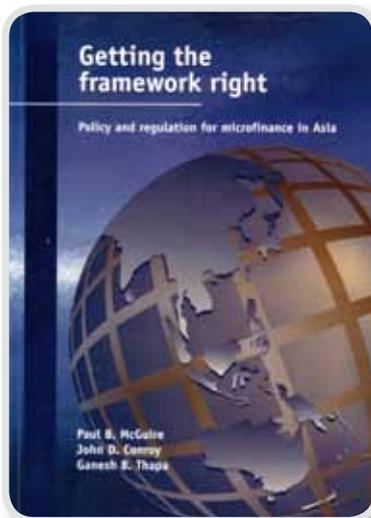
Lack of access to financial services is often a critical constraint to the establishment or expansion of viable microenterprises. It is now generally accepted that populations traditionally excluded from the formal financial sector can, in fact, be a profitable market niche for innovative banking services, and that microfinance can be very important in reducing poverty.

Getting the Framework Right
(1998)

for MFIs. It also discussed the regulation of banks, insofar as such regulation appeared to affect the scope for regulated banks to engage in microfinance.

The Bangkok document was possibly the first study to consider policy and regulatory issues for microfinance from such a broad perspective, and certainly the only such study with a specific focus on Asia. It found that despite the existence of supportive policy and regulatory frameworks in some countries, much remained to be done to remove barriers to the creation of sustainable MFIs and to create a genuinely conducive environment for their operation. The authors provided comprehensive recommendations for achieving such an environment. These were the subject of considerable debate at the meeting and network members made numerous suggestions for amendment and improvement. The authors undertook to review the document prior to its publication and wider circulation. The published version of *Getting the Framework Right: Policy and Regulation for Microfinance in Asia* appeared in 1998.²⁰

A second BWTP report was brought to the Bangkok meeting. Prepared by Ms Ruth Goodwin-Groen, this dealt with key issues for profitable commercial bank engagement with microfinance, and had been mapped out in planning sessions with the consultant. The study had a strongly practical focus, based on detailed field work in India and the Philippines with BWTP members and other leading commercial banks. Its object was to provide commercial bankers with a simple methodology for appraising microfinance institutions, in order to determine whether they would be good clients for the purpose of establishing linkages. Based on data collected from working bankers, the report broke new ground in quantifying the operating margins available for dealing with NGOs. It presented a compelling case for bankers to develop the capacity to cost MFI loan products in addition to the more usual costing of branch-level operations. It also provided a banker's guide to assessing the bankability of MFIs. Ms Goodwin's work drew a



BWTP and FDC's landmark publication *Getting the Framework Right*.

positive response from professional bankers in the Bangkok audience and she was given much assistance for the task of revising the work. Subsequently, in 1998, she elaborated these ideas with a paper titled *Key Issues for Commercial Bank Engagement in Microfinance*, material later incorporated into her monograph published that same year, and discussed below.²¹

World Bank representatives, including several international leaders in their fields, also presented papers at the Bangkok workshop. Aside from Ledgerwood's *Microfinance Handbook*, Tom Dichter gave a paper on NGOs as financial intermediaries. This discomfited many participants by detailing concerns about the NGO model as a vehicle for sustainable microfinance. Lynn Bennett proposed a system framework for social and financial intermediation. Vijay Mahajan surveyed the Indian microfinance industry from a practitioner viewpoint, while Jacob Yaron and Leila Webster discussed the sustainability of two BWTP members, the state banks (BAAC and BRI) in Thailand and Indonesia. Sylvia Wisniwski of GTZ spoke on savings in the

context of microfinance, again dealing with BAAC and BRI. These materials, along with the BWTP offerings proved durable contributions, providing early treatments of issues which remain live in contemporary microfinance.

2.3.3 Foundation Meeting – The BWTP Network is Formalised

At the completion of the Bangkok workshop a BWTP Network foundation meeting was attended by delegates represented some 35 national policy institutions, commercial banks and NGOs from nine countries in Asia (Bangladesh, India, Indonesia, Malaysia, Nepal, Pakistan, Philippines, Sri Lanka and Thailand). The meeting debated and approved a communiqué, setting out principal conclusions and recommendations of the *Getting the Framework Right* report and incorporating findings from the study of commercial banks. It was agreed that the communiqué would be circulated to governments, monetary authorities, donor agencies and international financial institutions in the Asia-Pacific region. Following this, the membership resumed deliberations, which had commenced in Singapore and continued in Kuala Lumpur, on a constitution for the network. Discussion occurred in the framework of an Annual General Meeting, at which members formally ratified the Constitution and elected office-bearers for the Network. By doing so, they constituted the BWTP Network as an autonomous network. It was to be:

'a not-for-profit, regional association of organisations committed to improving the quality of life of the poor through promoting and facilitating access for the poor to credit, savings instruments and other financial services through linkages between financial sector institutions (such as commercial banks), non-government organisations (NGOs) and self-help groups.'

This formulation maintained the Network's original emphasis on microfinance linkages involving NGOs and self-help groups, established in 1991 by Banking with the Poor. In practice its membership continued to include institutions adopting other methodologies, just as its more recent policy work, as in the Framework study, covered a broader range of approaches to microfinance services. These, the constitution made clear, were to include savings and other services as well as credit, although the continuing primacy of the latter was suggested by the statement that 'BWTP Network members believe in promoting the alleviation of poverty through increasing the availability of credit on a sound commercial basis for large numbers of people who are not served directly by traditional financial institutions'. In addition, the Network would:

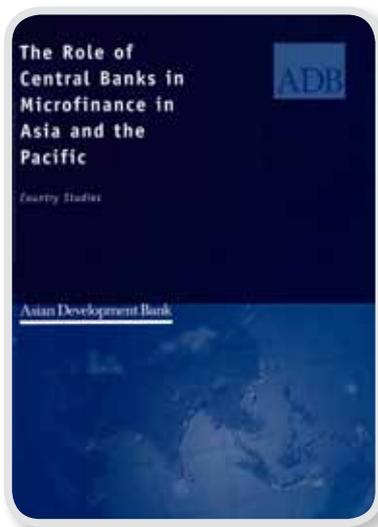
- › Influence the policies and practices of governments, monetary authorities, financial sector institutions and NGOs through research, advocacy, policy dialogue, awareness-building and information-sharing. These will be conducted through seminars, workshops and other means;
- › Provide Network members with access to information that increases their knowledge about best practice in microfinance service provision, capacity-building and technological upgrading for institutions engaged in Banking with the Poor; and
- › Document and demonstrate the successes and lessons learned in microfinance provision achieved by Network members as a means of improving policy and practice in the field more generally'.

The constitution also established arrangements for an Executive Committee, rules for membership, and arrangements for administration. FDC was appointed as 'fiscal agent' of the Network, and its offer to maintain a Network secretariat in Brisbane was accepted. Members agreed to an annual membership fee for institutions, as a step in the direction of sustainability, and elected the inaugural Executive Committee, comprising a distinguished group of microfinance pioneers (although, in a glaring omission, the electoral process failed to return a single woman member).

The committee comprised:

- › Mr Bambang Ismawan (Bina Swadaya, Indonesia) as NGO representative and Network Chair
- › Mr Jose Medina (People's Credit and Finance Corporation, Philippines) as national policy institution representative
- › Mr Dharmewanse Wijesundera (Hatton National Bank, Sri Lanka) as commercial bank representative
- › Mr Zulfiqar Ahmad (Sarhad Rural Support Corporation, Pakistan) as at-large representative, and
- › Dr John Conroy (Foundation for Development Cooperation, Australia) as ex officio member, representing the Network secretariat.

At the conclusion of the Bangkok meeting, the newly-formalised Network had a constitution, a membership and an emerging identity. It needed now to achieve regional and international visibility and to find allies and partners in order to achieve its objectives. Opportunities might flow from burgeoning interest in microfinance stimulated by the creation of CGAP, and by the highly effective Microcredit Summit campaign. The Network might also benefit from growing interest in the field displayed by donor agencies and



The Role of Central Banks in Microfinance in Asia, another influential study by FDC and the BWTP Network, published by the ADB.

international financial institutions. The alliance with the World Bank, through its Sustainable Banking with the Poor program, would prove to be short-lived, however. SBP proved to be a limited-term project and was not extended. The centre of gravity for microfinance within the World Bank shifted decisively to CGAP, where some scepticism about the value of the BWTP Network continued to be evident. The search for funding would dominate discussions of the Executive Committee in coming years, as would the need to identify the issues whose resolution would be crucial for the recognition and progress of microfinance in the region.

2.4 The Role of Central Banks in Microfinance

Following the publication of *Getting the Framework Right* in 1998, negotiations began with the Asian Development Bank for support to mount a follow-up study. The logical next step, in the Asian region, focused on central banks as the primary authorities responsible for financial system regulation and supervision. The ADB wished to see such a study extended to a number of countries beyond the Network. It was agreed

to include 12 Asian and Pacific island states of particular interest to the Bank²². In a decision calculated to extend the range of issues that would need to be faced, these included some smaller Pacific island states as well as transitional economies in East Asia.

In 1999 FDC and the BWTP Network commenced the study, which would grow to two volumes. The first consisted of an overview and statement of principles, providing a detailed analytical framework, along with a synthesis of key issues arising from the country studies. The primary issue was whether central banks in developing countries should actively assist microfinance, and how far any such assistance would fit with contemporary views of central bank functions. The second volume comprised 12 detailed country studies. These volumes were subsequently published by ADB in 2000 under the title *The Role of Central Banks in Microfinance in Asia and the Pacific*.²³

The study proved influential in the region and was certainly useful in bringing concepts of sustainable microfinance to the attention of central bankers. A particular difficulty at that period was the lack of dedicated central bank staff positions with microfinance responsibility, and the distance of senior staff from the field. Often the task fell to officers responsible for rural and agricultural lending, many of whom had experience of politically-driven and unsustainable micro-lending 'schemes', often donor-financed.



Mr Bambang Ismawan (right) of the leading Indonesian MFI Bina Swadaya; the BWTP Network's inaugural Chair.

In all too many cases, central banks were responsible for the implementation of such schemes. This could sometimes entrench interest groups, in central banks, the bureaucracy, the NGO sector and elsewhere, whose interests were directly threatened by notions of commerciality, transparency and sustainability. Nor were donors always receptive to the message, and even if it were accepted at headquarters, donor practice in the field usually lagged behind. Unfortunately, the Network did not have the opportunity to convene for discussion and dissemination of the findings of the central bank study. There was to be no early sequel to the Bangkok meeting and the Network would have to find more modest means of getting its message out.

Reflecting the emerging status of the BWTP Network as a representative of Asian microfinance, the ADB approached the Network in late 1998, requesting a consultation to assist in its development of a new microfinance strategy, intended to guide the bank's lending programs in the region. The ADB asked the BWTP Secretariat to survey BWTP members to test their reactions to an **Interim Action Plan** for microfinance, which it was circulating in the Asia-Pacific region. Initial coding and analysis of responses to the survey was completed by mid-1999 and reported back to the ADB as a report titled *ADB Interim Action Plan for Microfinance: Attitudes and Response of Asian Practitioners*.

2.5 Unfamiliar Territories: the BWTP Network in the Pacific Islands and Japan

In 1997, New Zealand ODA, the official donor agency of the government of New Zealand, reacted to the creation of CGAP and growing international interest in microfinance by examining the prospects for 'microcredit' in the small island states of the Pacific. It proposed to mount a *Pacific Microcredit Conference*, to be convened in idyllic surroundings in the tiny Pacific country of Niue. This was the first such

event ever held in the region and was primarily intended to introduce the subject to women's and community NGOs. While the Pacific is noted for the prevalence of 'micro-states', Niue is an extreme case of 'diseconomies of scale', with a resident population of slightly more than 2000 people (and two or three times that number living in New Zealand). FDC provided technical support and arranged for the BWTP Network to be represented at the meeting by Dr Humaira Islam, Executive Director of the Shakti Foundation for Disadvantaged Women in Bangladesh. Dr Islam gave the keynote address and was a source of considerable inspiration to the participants. Pacific representatives had been attending BWTP meetings since 1991. However it would be another decade after Niue before microfinance in the region had reached any 'critical mass', sufficient to consider establishing a Pacific regional equivalent of the BWTP Network. *Microfinance Pasifika* now serves the region from Fiji and maintains a fraternal relationship with BWTP Network.

Flowing directly from the attendance of Japanese participants at the Fourth BWTP Meeting in Bangkok, FDC Executive Director John Conroy visited Japan in December 1997, as a guest of the International Development Centre of Japan (IDCJ). The Japanese Government had recently started to take a greater interest in microfinance, and, as its first initiative, Overseas Economic Cooperation Fund (OECF) had provided a soft loan of USD30 million to Grameen Bank. Then the world's largest aid donor, Japan had a potentially important contribution to make to Asian microfinance. It was apparent, however, that Japanese Official Development Assistance (ODA) lacked an adequate knowledge base to play any other than a wholesale funding role. FDC's visit was intended to explore the possibility of offering some assistance to improve Japanese knowledge and understanding of microfinance, to assist in building a constituency for microfinance there, and to involve the BWTP Network in the process. Dr Conroy made presentations on microfinance to IFIC (the Institute for International Cooperation)

and the Foundation for Advanced Studies in International Development (FASID). He had discussions with key Ministries and donor agencies, including the Ministry of Foreign Affairs, the Ministry of International Trade and Industry (MITI), the Japan International Cooperation Agency (JICA) and the OECF. From this round of discussions it was evident that an opportunity existed for the BWTP Network.

In response, the BWTP Network sought financial assistance to mount a 'roadshow' visit to Japan to conduct training and to disseminate information to staff of key agencies and community groups. With funding secured from the Japan Foundation Asia Centre, this took place in March 1999.

Representatives of five member institutions made the trip²⁴, under the banner of 'Bringing Banking with the Poor to Japan'. The visit was facilitated by two Japanese NGOs, Citizen's Bank (Tokyo), and Women's World Banking, Japan. Events and discussions were conducted with Japanese parliamentarians and Government officials responsible for ODA. Other groups contacted included researchers in Japanese universities and think-tanks, development NGOs, ODA contractors and community groups.

Seminars and gatherings were hosted by FASID (the International Development Research Institute), Womens World Banking Japan, the Japanese NGO Centre for International Cooperation, the Overseas Economic Cooperation Fund, International Development Centre of Japan, International House of Japan and the Yamaguchi Prefecture administration. A highlight of the 'road show' was a seminar for officials of JICA and OECF, followed by consultations between BWTP team members and desk officers for their respective countries.

Encouraged by the level of interest in Japan, Paul McGuire and John Conroy prepared a 'microfinance overview' paper, *The Microfinance Phenomenon*.²⁵ In 2000, this appeared in the *Asia-Pacific Review*, journal of the International Institute of International Studies in Tokyo.

Besides offering an introduction to the field for a Japanese audience, the paper offered a critique of Japan's early and rather tentative steps in ODA for microfinance, with suggestions for a more creative role. This paper was intended to reinforce messages transmitted during earlier contacts with Japanese ODA officials.

2.6 Research in the Philippines – understanding innovation and impact

Towards the end of the 1990s, a number of Philippine NGO-MFIs associated with the Network were making methodological innovations and building promising working linkages with commercial banks. Some of this work (by Ronald Chua, synthesised by McGuire and Conroy) had already been documented under BWTP Network auspices and is discussed above.

In 1998, AusAID funded additional work in the field. Professor Chua, of the Asian Institute of Management, was engaged again by FDC to oversee two important research studies in BWTP partner institutions. The first was entitled *Impact of Access to Credit on the Poor: Research Design and Baseline Survey for a Longitudinal Study*. It presented the baseline survey for a study of the impact of microfinance services offered by Alalay sa Kaunlaran sa Gitnang Luzon, Inc (ASKI). Further AusAID funding enabled Chua to follow-up this work in 1999. At this time, very few researchers had been given the opportunity to employ a longitudinal design, with on- and off-site control groups, as in this case. The *Impact of Participation in a Microcredit Program on Poor Women: The Case of Clients of ASKI – Cabanatuan City: A Panel-Based Longitudinal Study* was published in 2000 following extensive fieldwork, data collection and analysis.

The study reported the results of a careful and conscientious attempt to assess the impact on a group of poor women, who were clients of ASKI and residents of Cabanatuan City in the Philippines, and of their participation in a microfinance program. In the intervening years there has been a proliferation of studies of this type as well as a growing body of literature concerning their validity.

The study by Dr Chua was a relatively early attempt to grapple with theoretical and conceptual problems raised by such work.

Aside from these research activities, the Network was recognised in a number of regional microfinance forums and used these opportunities to get its message out. For example, in 1997 BWTP Network chair, Mr Bambang Ismawan, and other members participated in a Best Practice Workshop for Asian Microfinance Practitioners in Indonesia, at which Paul McGuire gave a presentation on the Network.

Opportunities also arose for BWTP and its members to take part in continuing activities of the *Microcredit Summit*. A Summit 'Meeting of Councils' was held in New York in June 1998 to pursue a nine-year campaign announced at the original Summit in 1997. The BWTP Network was represented at this event by executive committee member Zulfiqar Ahmad of Sarhad Rural Support Corporation in Pakistan, supported by AusAID. Other Network participants included ASA and Shakti of Bangladesh, NABARD from India, Bina Swadaya (Indonesia) and TSPI (Philippines). Again supported by AusAID, the BWTP Network Chair Bambang Ismawan represented the Network at a subsequent regional Summit meeting in Cote d'Ivoire in June, 1999 and BWTP continued to be represented at subsequent Summit meetings over the years.

At an Asia-Pacific Regional Summit in Bangladesh in February 2003 the Network mounted a session on regional cooperation in microfinance, focusing on the potential of the BWTP Network in Asia. After a period of relative inactivity this may be seen as a turning point in making new contacts for the Network with South Asian organizations.

2.7 Conclusion: the End of a Century, a Network in Quiescence

From 1999-2000, the BWTP network was quiescent for a number of years. The reasons for this are partly financial, partly generational. In terms of funding, the level of support extended by FDC for the extensive research program that produced *Getting the Framework Right* could never again be justified or afforded. For a number of years, no external funding could be found to mount BWTP regional meetings. The *Framework* may have been a critical success; however, the BWTP Network failed for some years to attract the grants needed to maintain activity at the levels of the early and mid-1990s. In generational terms, the year 2000 marked the end of an era; John Conroy stepped down as Executive Director of FDC, to be succeeded by Ms Beris Gwynne. Beris Gwynne had a new mandate from her Board, which had for some years been re-evaluating FDC's commitment to microfinance and considering the need for a more diversified program of activities.

The BWTP Network itself had been established but not, it appeared, *institutionalised*. It still lacked the dynamics necessary for independent motion. The BWTP Network newsletter ceased production from mid-1999, although it would be revived from 2006. The BWTP Network website, with its valuable archive of research, remained accessible during this period and would be given a new lease of life in the second half of the new decade. In the meantime, no alternative network devoted to Asian microfinance arose to challenge the BWTP Network, despite the manifest value of such an organization in a region where microfinance was burgeoning. Clearly, there was a need to re-invent the BWTP Network.

Chapter Three

Continued Innovation and the First Asia Microfinance Forum,
2000-2006

Chapter Three - Continued Innovation and the First Asia Microfinance Forum, 2000-2006

3.1 Introduction

At the commencement of the 21st century, the microfinance sector in Asia had only succeeded in satisfying a very small percentage of the total demand for microfinance services. The period from 2000 – 2010 would subsequently herald an unprecedented increase in the international recognition of microfinance, and with this, overwhelmingly high expectations for the industry followed. The period saw a United Nations Year of Microcredit (2005), Muhammad Yunus' Nobel Peace Prize (2006), the Global Financial Crisis (from 2007), and the launch of online lending (Kiva), which would provide exposure to the sector both internationally and in the developed world. As at 2009, the most reliable data available revealed that there were 64.1 million borrowers and 38 million depositors in the Asia Pacific Region.²⁶ Commercialisation, linkages and the downscaling of commercial banks had occurred to a degree unimagined by the founders of the BWTP Network; conversely, the aggressive practices of commercially-minded institutions would also prepare the ground for one of the region's biggest crises in the Indian State of Andhra Pradesh at the end of the decade.

The late 1990s and early 2000s saw a stronger emphasis on uncovering the impact of microfinance on clients, and various studies claimed to demonstrate positive impacts on poverty and food security, education, gender equality and empowerment, child mortality, maternal health and in combating HIV/AIDS. At the same time, however, researchers were arguing that the benefits of microfinance as a singular intervention for poverty alleviation were overstated.

Several international initiatives, with CGAP being the most prominent, had already spent much effort in the development of guidelines for the financial regulation, management, and implementation of microfinance institutions, while those that concentrated on the social and poverty aspects of development still lagged behind. The debate between the 'poverty/welfarist' and sustainability/institutionalist' approaches to microfinance– the so-called 'microfinance schism' – was gaining strength and would be played out over the following decade.²⁷ 'Mission drift' was already a phrase oft used, and argued for and against, and the industry was far from reaching a consensus.

Nevertheless, the dominant orthodoxy in microfinance continued to promote the commercialisation of the sector; that MFIs should become financially self-sustainable institutions that, by economies of scale, will increase their outreach to large numbers of poor clients. This emphasised the large gap between the demand and supply in addressing the financial needs of the poor and posited that current donor subsidies to existing institutions would not be able to diminish this. The orthodoxy held that MFIs must be commercially viable to contribute to the formal economy, and for MFIs to integrate into formal financial systems at both the local and international levels. By the end of the decade, however, this convention would be sorely tested, particularly during and in the aftermath of the Global Financial Crisis of 2007-08.

At the same time, innovative programs (so called 'credit-plus' or integrated products) were demonstrating how microfinance could be linked with services like education or health to improve outcomes for clients, especially for women. An ongoing debate throughout the decade was the extent to which microfinance could be relied upon to facilitate access to a wide variety of other social services and products. Managing the expectations of microfinance as a vehicle for other services therefore became a central issue.

The BWTP Network, as a strong proponent of the commercialisation of microfinance over its initial decade, was also always cognisant of the need for a poverty-focus to be retained. An integral part of the BWTP Network's mission, which would hold it in good stead over the next decade, was the decision not to promote a single philosophy or methodology, but that a wide range of institutions was essential 'insofar as they are able to provide products on a sustainable basis'. With this came the recognition that a variety of microfinance initiatives was desirable, and that the types of intermediaries (NGOs, non-bank finance companies, commercial banks) and the programs they offered depended very much on the objectives of the institution and its client base. The coming decade would see a greater recognition of the need for MFIs to progress from a 'one-size-fits-all' model and to develop market-driven products and services directed at the needs of clients.

The decade covered in the following two chapters marks a period of significant growth for the Network, but is also a description of the challenges that faced the Network (and all microfinance networks), in the first decade of its existence.

3.2 Taking Stock of the First Decade

In 2001 FDC's new Executive Director, Ms Beris Gwynne, engaged a microfinance specialist, Ms Nina Nayar (who remained a regular BWTP Network consultant and advisor), to perform an external review of FDC's microfinance activities, with a particular focus on the work of the BWTP Network. The aim of the review was to assist with the process of re-evaluating FDC's commitment to microfinance, as well as determining the achievements, strengths and weaknesses of the BWTP Network's priorities and objectives, from the viewpoint of a range of stakeholders. This included consultations with members and partners who had been long associated with the Network and were thus best placed to provide input into its future. The review presented an opportunity to assess the network in light of a sector that was markedly different from that of 1991, when the Network was initially conceived.

3.2.1 A Network in Review: The BWTP Network in 2001

The findings of the review were received by FDC in 2002 and reflected the stakeholder feedback that the BWTP Network had proven very successful in acquitting its core mandate of promoting, documenting and disseminating information on the sector.

The BWTP Network had spent its first decade as a project that promoted documented and disseminated information on the microfinance sector on subjects and in ways unique to the region. The 2001 review demonstrated that FDC and the BWTP Network had achieved a great deal within a short span of time and with limited resources. This included the garnering of international recognition for its efforts in promoting the self-help approach in microfinance; facilitating bank-NGO linkages; educating a number of bankers and formal financial sector institutions; building a practitioner-based network to promote its valuable messages; and producing a number of high quality research publications that have influenced the policies and practices of donors, governments and practitioner institutions.

The BWTP Network has been highly successful at promoting the broader and deeper issues of self-reliance, community development and broader impact on the individual, household, and community by focusing on the self-help group model as a strategy to reach vulnerable groups in complex socio-economic context.

Banking With the Poor: An External review for the period 1991 – 2001.

The review also highlighted those aspects of the BWTP Network's activities that had proved prescient and laid the foundation for the future direction of the industry, for example: obtaining the cooperation of bankers in the region; introducing the principles and standards of microfinance into the banking sector and promoting a greater understanding between banking institutions and microfinance providers. The BWTP Network was unique at the time as the only initiative in the region with a focus on the formal banking sector– including public and private sector banks, apex banks, development banks, and central banks. With this focus, the Network was able to foster a long-term vision of sustainable approaches in microfinance. It did this by involving banks in linking the poverty and economic development agenda of microfinance intermediation with commercial approaches.

The review also addressed crucial issues in relation to the challenges and limitations of microfinance networks; some particular to the BWTP Network, while others, such as fundraising, resource constraints and communications, are constant challenges for all microfinance networks which remain.

In terms of philosophical orientation, the review questioned whether FDC's particular focus on the commercialisation of microfinance resulted in some silence on issues related to the pro-poor focus and the self-help approaches to microfinance. This was reflected not only in the debate being undertaken in the sector regarding 'sustainability' and 'poverty' approaches to microfinance, but also in the real difficulty of a network in providing balance between these. In addition, the BWTP Network and the industry as a whole had had limited success in promoting diverse microfinance models to counter the domination of the Grameen Bank model that remained the preference among donors and international development agencies. Thus the review highlighted that the Network was both reflecting, while still struggling to challenge, the dominant orthodoxies.

From a network perspective, the review recognised that despite the successful process of network building and formalisation, FDC had as yet not been successful in maintaining the BWTP Network at adequate levels. The lack of success in sustaining the complex and challenging dual tasks of research and network promotion meant that in recent years the FDC team has been forced to prioritise research initiatives over the maintenance of the BWTP network. This was also detrimental to maximising the impact and dissemination of research conducted in the 1997 to 2001 period, in order to secure policy change. Further, there was a lack of focus on capacity building initiatives for members.

Lastly, the review focused on the Network's limitations in playing an effective role in influencing donor policies in the region, given its limited stature in a field dominated by CGAP and other multilateral agencies. FDC and the



Long-term consultant, advocate, advisor and supporter of the BWTP Network, Nina Nayar, undertook reviews in 2001 and 2007.

BWTP Network had not played any large role in regulatory framework development in member countries, including Pakistan, Nepal, Cambodia and Bangladesh; this despite having laid the groundwork for such policy development in *Getting the Framework Right*.

3.2.2 Recommendations and Planning for the Future

FDC received a range of recommendations within the review aimed at reinvigorating the BWTP Network. These recommendations would provide a blueprint for growth throughout the rest of the decade and by 2010 many would become a reality. These included: a focus on consolidation and strengthening of the Network in the region by learning from its peers and other networking, research, training and consulting institutions in the microfinance sector; a focus on conducting country assessments of the microfinance sector in all member countries; identifying and conducting new research initiatives in microfinance without compromising inputs on other non-research microfinance activities, including the BWTP network activities, consulting, policy impact initiatives; and developing an effective strategy for the dissemination of information in order to reach a larger number of critical institutions and individuals.

In 2002 the recommendations were well received but funding for immediate implementation was limited. However, FDC continued to engage with BWTP Network members and the Executive Committee with the resources available, while continuing to make financial inclusion a priority (see next section). Mr Pascal Marino, Program Manager for FDC, became the BWTP Network Program Manager in 2002. To help take the BWTP Network forward, new elections for the new BWTP Network Executive Committee were held during November and December 2003, and the new committee held its first teleconference in January 2004. The new Executive Committee included a long-term member who would later become Chairman and a long-term champion of

the BWTP Network, Mr Chandula Abeywickrema of Hatton National Bank.²⁸ With the BWTP Network Executive Committee in place, FDC and the BWTP Network began planning a range of new initiatives for the coming decade.

3.2.3 FDC's Continued Commitment to Financial Inclusion (2001 – 2004)

FDC continued to prioritise a commitment to microfinance and financial inclusion, though not always under the BWTP Network banner.²⁹ This included contribution to both ASEAN and APEC initiatives, the intersection between information and communications technologies for development and microfinance, the continued publication of papers on regional microfinance issues and a new area of attention, microfinance in disaster situations. It is important to note that where possible, FDC worked on these projects in tandem with BWTP Network member institutions (or with institutions which have subsequently joined the Network).

3.3 Microfinance in Crisis Situations

Despite Asia being a region greatly affected by crises such as natural disasters, conflicts and, to an extent, the scourge of HIV/AIDs, the role of microfinance in such circumstances had previously been insufficiently considered by the microfinance community. Indeed, it was only since the early part of the decade that the issue was discussed at all, primarily as a result of the success of microfinance in the post-conflict environment of Bosnia and Herzegovina. For the most part, and especially in Asia, 'microfinance in crisis situations' was a subject that had been largely ignored, being perceived as marginal to the more general emphasis on institutional development of microfinance activities and the sector as a whole. However, the Asian tsunami in 2004, and the resultant relief efforts, made it very clear that this was an important issue; one that FDC, and later the BWTP Network, was well-placed to concentrate on.

The tsunami brought into sharp relief the fact that the poor are disproportionately vulnerable to severe natural events. Their homes are less sturdy and they live in 'danger' zones. A greater proportion of their income is used for basic needs, which means that when there is a loss in income, they are quickly reduced to desperation. They have fewer resources to help them rebuild and recover. Indeed, they are the target clients of microfinance institutions across the region. As a result, it was clear that MFIs could not ignore the possibility of being impacted by natural disasters. Many operate in communities and regions where natural disasters are a seasonal event. Natural disasters such as those caused by floods, storms, earthquakes, tsunamis, fires and the like are a harsh fact of life for many poor households and therefore, for the MFIs that target them.



Disasters such as floods, storms, earthquakes, tsunamis and fires are a regular occurrence across Asia.

3.3.1 Consultation in the Post-Tsunami Environment

The initial step towards work on this issue was taken in September 2003, when FDC and World Vision International conducted a workshop in Hyderabad, India entitled 'Microfinance and Disaster Management'. The workshop

brought together 27 microfinance and disaster management practitioners from seven countries in Asia (Bangladesh, Cambodia, India, Indonesia, Mongolia, Philippines and Sri Lanka). Seven microfinance initiatives at various stages of institutionalisation were represented, with each one of these MFIs operating in areas where natural disasters are a regular fact of life. The objectives of the workshop were to: develop a shared understanding of methods and avenues that disaster management agencies and microfinance initiatives can collaborate, especially in relation to disaster preparedness and mitigation; explore the role of microfinance in emergency relief situations, especially in relation to financial concessions that can be utilised to assist clients; and to raise awareness of the challenges of delivering microfinance in the wake of a natural disaster, especially in relation to managing liquidity and protecting the integrity of the loan portfolio. The result of the workshop was a paper produced by FDC's Stuart Mathison, which outlined the priorities, challenges and opportunities for microfinance in disaster management; and provided a platform for future FDC and the BWTP Network activities.³⁰

The issue was addressed in much greater detail at the Pan Asia Forum on Microfinance in Crisis Situations, which was held in Colombo, Sri Lanka from 13 to 15 June, 2005. The forum, organised by both FDC and the BWTP Network, was made possible by the first grant received from the Citi Foundation, a partnership which is discussed further in detail below. The event was given particular cogency by its location in a country severely impacted by the disaster of the previous year.

The Forum was attended by a range of microfinance and disaster management specialists and, in light of the Asian tsunami, drew on the recent experience of practitioners from Sri Lanka and Indonesia. The key message from the Forum was that the primary constraint to the applicability of microfinance in post-disaster reconstruction is not loan capital; but the lack of capacity to deliver services and uncertainty

Microfinance has proven to be an essential element for people in disaster situations, enabling them to start to rebuild their lives and improve their living conditions. However, in recent times there have been crisis situations where massive injections of donor funding—including capital for microfinance operations—have not achieved their intended purpose, largely because there was insufficient local capacity to deliver services in a timely and appropriate manner.

BWTP Network Microfinance and Disaster Management Trainer's Manual

with respect to best practices for microfinance in post-disaster contexts. It is this key outcome that would influence FDC and the BWTP Network's pioneering work on the issue.

3.3.2 Microfinance and Disaster Management – The BWTP Network's First Major Training Initiative

The pressing need for documentation and research into the preparation of microfinance institutions for disaster was made clear by the participants of the Pan Asia Forum on Capacity Building for Microfinance in Crisis Situations.

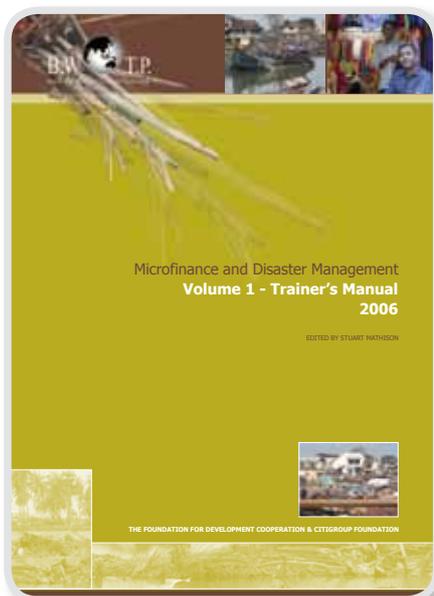
Consequently, in September 2005, the Citi Foundation sought the assistance of FDC and the BWTP Network to design and conduct a regional program of research, curriculum development, and 'train-the-trainer' workshops to increase the capacity of microfinance providers to prepare for, and respond to, natural disasters. The 'Capacity Building Program for Microfinance Institutions in Post-Tsunami Reconstruction' project was initially

a capacity-building initiative for microfinance in India, Sri Lanka and Indonesia. It was designed to raise awareness, and increase the level and effectiveness, of microfinance interventions in post-tsunami (and general post-disaster) reconstruction efforts.

Acknowledging the lack of local capacity to deliver microfinance services, the objectives of this project were to build the capacity of local microfinance providers; to promote early introduction and maintenance of best practices in microfinance in post-tsunami reconstruction efforts; to create a platform for local capacity building on an on-going basis through the development of curriculum and training of trainers; and to promote acceptance of microfinance as an essential strategy in post-tsunami reconstruction efforts by demonstrating its effectiveness.

The initial research was undertaken in the form of workshops and extensive stakeholder consultation in the three target countries. The consequent results were: comprehensive best practice training materials in five languages; a series of microfinance and disaster preparedness research briefs; the training of over 60 trainers; and the involvement of 650 workshop participants and 20 microfinance institutions.

The *Microfinance and Disaster Management Trainer's Manual* was the BWTP Network and FDC's first major effort towards curriculum development and training, and has proved a highly successful and enduring initiative.³¹ The completed training materials were made available for free download on the BWTP Network website and these continue to be used internationally as the benchmark in microfinance and disaster management training. The BWTP Network continues to implement the training (for example in 2009 in Chengdu, China) as a result of the interest of members of the China Association of Microfinance following the 2008 earthquake in Szechuan.



The Microfinance and Disaster Management Trainer's Manual was published in five languages and distributed worldwide'

3.4 Electronic Banking for the Poor

FDC and the BWTP Network continued to innovate through the middle of the decade, with a focus on the role of technology in microfinance. In June 2005, FDC co-hosted the 'Remittances, microfinance and technology' workshop with the University of Queensland School of Economics. Forty-two participants from India, Sri Lanka, Bangladesh, Fiji, the Philippines, Indonesia, Japan, Vietnam, Papua New Guinea, New Zealand and Mexico attended the event. The workshop provided an important opportunity for face-to-face consultations with BWTP Executive Committee members, which led to several proposals for funded activities in 2004–2005. The workshop attracted global publicity, as well as attention from the World Bank and the Asian Development Bank, and provided a very strong platform for future work.

The BWTP Network started to focus on new mechanisms to achieve financial inclusion via the use of Information and Communication Technology (ICT) solutions. Accordingly, *Increasing Outreach and Sustainability of*

Microfinance through ICT Innovation, a compilation of twelve papers, was published in 2005. The objective was to develop the capacity of the BWTP Network members to incorporate ICT solutions in their microfinance activities. Two BWTP Network members (Hatton National Bank and The First Microfinance Bank of Pakistan) contributed to these papers; there were also contributions from outside the BWTP Network.³² The papers formed the basis of a panel discussion at the ICT-4-All side event at the World Summit on the Information Society (WSIS) in 2005 and additional funds were leveraged from the Swiss Agency for Development and Cooperation, and from the Citi Foundation.

The initiative on *Increasing the Outreach and Sustainability of Microfinance through ICT Innovation* saw FDC promoting the position that technological innovation held strong potential in 'increasing outreach', the great catch-cry of the industry, where present delivery models were not meeting the challenge. This was especially so when it came to serving communities in remote locations characterised by low population density. However, with this came the understanding that it also required fundamental changes to microfinance delivery mechanisms that had become almost sacrosanct to elements of the microfinance sector.

Following the publication of these papers, in 2006 four country assessment papers on *Policies and Regulations to expand Electronic Banking for the Poor* were prepared for the Philippines, Pakistan, Indonesia and Vietnam.³³ The objective of these papers was to learn, through BWTP members, information and expertise in regards to regulatory issues in some Asian countries that constrain or support the expansion of electronic banking, and the consequences of these in terms of outreach and sustainability of microfinance. The study initially involved three BWTP members (Central Bank of Philippines, First Microfinance Bank of Pakistan, and Bina Swadaya Indonesia, and later the Vietnam Bank for Social Policies) and was also funded by the Citi Foundation. Thus, with new priority areas for action identified,

and the potential of the Network membership demonstrated, the task of rebuilding the Network itself, as a viable and active regional entity, began to gain momentum.

3.5 Asia Resource Centre for Microfinance and Microfinance Country Profiles

A key recommendation of the 2001 external review was that the BWTP Network should develop a considered strategy for the dissemination of information in order to reach a larger number of stakeholders. An important aspect of this strategy was the development of a web-based information hub for Asian microfinance. In 2004, links established with Japan in the late 1990s were renewed when the Japan Foundation provided the support for the establishment of a web portal, the Asia Resource Centre for Microfinance (ARCM). The development of the ARCM marked the beginning of a core strand of the BWTP Network's activities – the publication of microfinance industry assessments for member countries. Assessments for a range of countries would become the first point of reference for any practitioner, consultant or researcher wishing to understand the microfinance sectors of a range of Asian countries. It also expanded on the BWTP Network's mandate of documenting the microfinance industry in the entire region, including emerging sectors like those in the Mekong region, rather than only the dominant and more established sectors.

3.5.1 Building the ARCM

As the main goal of this project was to build the foundations of an ARCM through the development of sector reports on national microfinance industries, a regional strategy was implemented for stakeholder consultation, with workshops being held first in South Asia, followed by the Mekong countries.

The initial Japan Foundation project 'Banking With the Poor in South Asia: Building an Asia Resource Centre for Microfinance Through Cooperation and Peer Learning' resulted in the BWTP Network's first significant cooperation with two national microfinance networks, the Centre for Microfinance in Nepal and the Pakistan Microfinance Network. As the BWTP Network's first country-specific workshops since the mid-90s, the development of the country reports provided an important opportunity for the BWTP Network (led by its Program Manager Pascal Marino) to play a role in facilitating mutual understanding between microfinance and finance sectors, including the regulatory agencies, the central banks of Nepal and Pakistan, which participated in the workshops and individual consultations.

3.5.2 BWTP Makes Inroads in the Mekong

Later in 2004, Pascal Marino visited Laos PDR, Vietnam and Cambodia in what would be the BWTP Network's first major activity *in* the region (as distinct from previous instances where Mekong institutions had been involved in Network activities beyond their region). Though the countries of the Mekong differ greatly, emerging microfinance sectors – including one already quite well established in Cambodia – required attention from a pan-Asian microfinance network.

The primary workshop meeting, held in Phnom Penh in December 2004 in conjunction with CARE International, was attended by stakeholders from Laos PDR, Cambodia and Vietnam and concentrated on many of the central microfinance issues (commercialisation, practices and standards, linkages, innovation) from a Mekong perspective. This was the first gathering of its type in the Mekong region and laid the foundation for continued dialogue between the countries of the Mekong Basin, facilitated by the BWTP Network. Many of the organisations represented (such as TPC, AMRET, PRASAC and VisionFund Cambodia) would come to rank among the Network's strongest and most successful members.

3.5.3 Microfinance Country Profiles

As a result of the workshops held in 2004, as well as partnerships in other countries, the BWTP Network published its first series of Microfinance Country Profiles in 2005: Pakistan (in partnership with the Pakistan Microfinance Network); Nepal (in partnership with the Centre for Microfinance); Cambodia (with CARE International Cambodia); Lao PDR (CARE Australia) and Vietnam (CARE International in Vietnam); and Indonesia (in partnership with GEMA-PKM).

A further two Microfinance Country Profiles were made possible in 2005/06 due to funding from the Citi Foundation and implementation by Ana Santos, who took over from Pascal Marino as BWTP Network Coordinator in 2005. These were: Bangladesh (in partnership with the Credit and Development Forum), 2006 and the Philippines (in partnership with TSPI and MCPI), 2006.

3.6 Partnership with the Citi Foundation

2005 marked the beginning of an important stage in the development of the BWTP Network. That year saw the establishment of a strong partnership with the Citi Foundation, and a focus on increasing the BWTP Network's core strengths, while establishing beyond doubt its role as Asia's microfinance network.

By 2010, funding provided to the BWTP Network by the Citi Foundation would top \$2 million USD, over the course of 9 grants (see Box 1). The Citi Foundation partnership would provide a long anticipated opportunity to implement many of the recommendations from the 2001 review and to increase the capacity of the network, greatly in relation to its core strengths of knowledge creation and dissemination, capacity building and technical assistance, advocacy. It would re-establish the network as the 'go to' organisation for information on the sector. The Citi Foundation was to provide not only monetary, but also logistical, advisory and promotional support over the period of the partnership. This assistance was to prove vital to the growth and strengthening of the Network.

Collaboration and financial support from the Citi Foundation gave new life to Banking With the Poor. Following a referral from Jimmy Harris at the SEEP Network, Citi initiated contact with Pascal Marino, the Program Manager of Microenterprise Development at FDC and Program Coordinator of the BWTP Network, in September 2004. Beris Gwynne attended Citi's first Financial Education Summit held in Hong Kong in November 2004. Following this, the first meeting between FDC and Citi Asia Pacific was held in Singapore in March 2005. FDC's Beris Gwynne met with Citi Asia Pacific's Corporate Affairs head, Penny Shone and Citi Asia Pacific's Director, Corporate Citizenship, Paula Bennett to discuss support for the BWTP Network.

The first instance of support occurred in the wake of the Indian Ocean Tsunami in late 2004. The Citi Foundation provided a US\$50,000 grant to support the Pan Asia Forum on Microfinance in Crisis Situations, which was held in Colombo, Sri Lanka from 13 to 15 June, 2005 (discussed in section 3.3 above). This first grant was the forerunner of a number of grants from the Citi Foundation (see below). The Citi Foundation showed great foresight in committing to the essential role of supporting microfinance networks, including the BWTP Network. The Foundation understood that for microfinance to thrive, vibrant infrastructure was needed to facilitate knowledge sharing, best practice dissemination and advocacy. Partnership with the Citi Foundation was integral to the development of the BWTP Network of both its continuation and growth, and cannot be understated as a driver behind the success of the BWTP Network in the 2000s.

Box 1: Citi Foundation Grants to the FDC for the Banking With the Poor Network

- 2005 – Asia Forum on Microfinance in Crisis Situations held in Sri Lanka in June 2005
- 2005 – Strengthening Microfinance in Asia project: Partnerships and innovation to increase the impact of microfinance in Asia - Asia Microfinance Forum 2006 (Beijing) and Online Asia Resource Centre for Microfinance
- 2005 – Capacity Building Program for Microfinance Institutions in Tsunami-Affected Areas
- 2006 – Asia Microfinance Forum - supplementary funding for the first Asia Microfinance Forum
- 2006/2007 – Banking with the Poor Network Partnerships and Best Practices and Asia Microfinance Forum 2008 (Hanoi)
- 2007 – Banking with the Poor Network: Citi Network Strengthening Program Year 1
- 2008 – Banking with the Poor Network, Citi Network Strengthening Program Year 2
- 2009 – Banking with the Poor Network, Citi Network Strengthening Program Year 3
- 2009/2010 – Asia Microfinance Forum 2010 (Colombo)

3.7 The First Asia Microfinance Forum

Since its inception, the Banking With the Poor program has been highly successful at convening diverse assemblies of microfinance practitioners, policy makers and development specialists to discuss issues of best practice in the microfinance sector. The outcomes of these gatherings, in the form of research papers, training materials and stakeholder partnerships, have acted as a catalyst for much innovation in the region. A natural role, therefore, for the network was to host the first conference dedicated to bringing together the Asian microfinance sector.

In 2005, FDC and the BWTP Network received a grant from the Citi Foundation to convene the first BWTP Network Asia Microfinance Forum (AMF) in Beijing, China, in 2006.³⁴ The AMF 2006 was a landmark in Asian microfinance as it was the first conference hosted by a regional network; a vital step in ensuring the promotion of *Asian* microfinance models and methodologies in a global sectoral debate where Latin American models have often dominated.



Clockwise L-R: **Professor Du Xiaoshan** welcoming delegates to the Beijing Forum; **Shafiqul Haque Choudhury**, Founder and President of ASA, speaking at the BWTP member meeting. He also acted as keynote speaker at the Forum; **Bob Annibale**, Citi's Global Director of Microfinance, at the AMF 2006 sharing Citi's experience in developing commercial strategies for microfinance.



The AMF 2006 provided the template for future conferences hosted by the BWTP Network and FDC. Firstly, as a practitioner-focused event, key elements included low fees, content delivered by and targeted at practitioners (with an agenda reflecting the industry), side events contributing to shared knowledge dissemination, and a focus on facilitating the attendance of Network members and Asian (or Asian-based) practitioners. Secondly, the choice of location for these Asian Forums would focus on industries in need an injection of new ideas, the discussion of best practice and concerted advocacy. This again would reinforce the BWTP Network reputation across the region, and not only in the most developed industries. Thirdly, it was considered crucial that members contribute to the conference to the greatest extent possible; including contributing to the agenda, having as many members speak as practicable and hosting members' meetings. Finally, the importance of a strong agenda, focusing on both current and horizon issues, would ensure the AMF's continuing relevance.

For the AMF 2006, the theme 'Partnerships and Innovations: Increasing the Impact of Microfinance in Asia' continued the BWTP Network's work on linkages, while reflecting the increased focus on the industry in diversification through partnerships, especially with the commercial sector. Ana Santos, the new BWTP Network Coordinator, led on the development of an agenda which included many of the thought leaders in Asian microfinance. A particular focus of the forum was directed to building of partnerships and innovative new business models, as well as highlighting ways to improve the policy environment for the growth of microfinance in the region. It should be noted that the emphasis on 'rapid' increase did not mean 'at all costs', a philosophy maintained by some elements of the sector (then and now). The BWTP Network had long promoted rapid growth only where sustainable; the focus of the AMF 2006 was to uncover innovative solutions through partnership to this challenge.

The Beijing Forum featured a large number of major stakeholders in microfinance in Asia and internationally as speakers. Prominent among these included: Robert Christen (President of the Boulder Institute), Shafiqul Choudhury (ASA), Professor Du (China Academy of Social Sciences), Robert Annibale (Citigroup), Sanjay Sinha (MCRIL), Jim Roth (The Micro Insurance Centre), Monique Cohen (Microfinance Opportunities), the Vietnam Bank of Social Policies, The Central Bank of Philippines, Gautam Ivataury and Xavier Rielle (CGAP), as well as representatives of major donors and international agencies active in the field (such as GTZ, World Bank, UNDP, IFAD – all organisations which supported the event). FDC took the opportunity to present the conclusions of its study of the role of central banks in microfinance, with recommendations tailored to the Chinese situation. A series of Citi-funded supplements were published by the International Herald Tribune that raised the profile of the event and of the industry in Asia amongst a large readership.

The forum attracted over 280 participants from more than 20 countries and represented both large and small MFIs, central banks, commercial banks and private investors, as well as a significant

'The microfinance industry has suffered from the tendency of its advocates to talk up its successes and of its detractors to sell it short,' says Beris Gwynne, Executive Director of FDC. 'Only through rigorous information gathering and evaluation can we truly appreciate the potential of microfinance to reduce poverty and accelerate sustainable development.'

International Herald Tribune,
Monday April 3, 2006.)

number of microfinance experts, consultants, academics and practitioners. The original number of delegates anticipated for the forum was 90, and therefore the AMF 2006 far exceeded expectations and demonstrated the regional support for a regular conference.

3.7.1 Conference Themes

The AMF 2006 was successful in increasing the awareness among microfinance stakeholders of the strengths of a multi-faceted industry where the rapid increase in outreach was dependant on a range of institutions, methodologies and products. This being said, central to the discussions was a belief that non-profit organisations that provide microfinance services must conduct operations on a more business-like basis, and for commercial banks to recognise the expertise that MFIs bring to the table in working closely with very poor clients in inner-city slums or scattered across vast rural areas. With regard to the tension between social mission and sustainability, there was general agreement at the Asia Microfinance Forum that the sector needs to achieve both these objectives. However, some Asian MFIs expressed concern that commercialisation might lead to 'mission drift' – a dilution of the commitment to poverty reduction. Commercial-style competition for resources could also disadvantage MFIs working in poor and more remote areas, by diverting scarce resources to bigger MFIs that can show more stellar achievements in less challenging environments.

In response, several participants at the forum pointed to the activities of some larger and more established MFIs that support smaller and less developed organisations, especially in countries where microfinance is not so advanced. Other participants underlined the need for the private sector's role in microfinance to expand beyond philanthropy, to work with MFIs as partners to accommodate small-scale savings, lending and insurance coverage, and to overcome the limitations that conventional banks experience regarding access to poor and remote areas.

Delegates attending the AMF 2006 also acknowledged the ever-growing debate around the efficacy of the microfinance industry; that in the 30 years since its inception, the microfinance industry still continued to receive mixed reviews. There had been inspirational stories of households and even entire villages that had lifted themselves from the depths of poverty with the help of microfinance loans. However, there had also been disappointing accounts of the inability of MFIs sustain their operations or to reach the hundreds of millions of poor who still lacked access to basic financial services. Delegates were prescient in understanding that the world of microfinance, including that in Asia, was undergoing a major shift.



John Conroy promoting another BWTP Network publication.



BWTP colleagues and network associates presenting at the AMF 2006. L – R: Edzel A Ramos (CARD); Murtaza Reza Chowdhury (BRAC); Sanjay Sinha (IMP – ACT); Md. Abdul Awal (CDF); Rolando Victoria (ASKI).

Chapter Four

Strengthening the BWTP Network and the Networks Community, 2007-2010

Chapter Four – Strengthening the BWTP Network and the Networks Community, 2007-2010

4.1 Introduction

The successful hosting of the Asia Microfinance Forum 2006 and the funding partnership with the Citi Foundation reinvigorated the BWTP Network and placed it on a path towards continued growth and relevance over the course of the next 4 years. This period saw the Network build and expand its core strengths of research, curriculum development and convening stakeholders, while strengthening its internal processes and procedures, most importantly in regards to its membership.

This period also saw the expansion of membership of the BWTP Network to over 50 institutions from all member countries; many of which were prominently represented in the Mix Market's Global 100 Composite Index.³⁵ In addition, the active inclusion of the region's national microfinance networks further integrated the BWTP Network, and also its individual member institutions, into the regional sector.

The microfinance sector internationally did in fact experience the major shift anticipated by delegates to the AMF 2006 in China, the results of which created huge challenges for the industry.

The commercialisation of the sector continued apace, reaching new heights in 2007 with the initial public offering of the Mexican MFI Banco Compartamos, which garnered \$467 million USD for its owners. By 2010 the international microfinance industry's second IPO would be in the Asia region, with SKS in India reaching a valuation of about 40 times the company's 2010 fiscal year earnings. Both IPOs would send

shockwaves through the industry and result in vocal disagreements between some of the Asian sector's leading advocates and promoters.

In addition, the Global Financial Crisis brought into sharp relief the extent to which national microfinance sectors were exposed to the international markets due to a progression toward commercial links with foreign investment. The explosion in microfinance investment vehicles (MIVs) meant that increasingly, funds were not sourced locally, and their international investors thus expected varying degrees of return.

Those industries most exposed to the international financial markets, for example Cambodia and the Philippines, suffered from the effects of over-indebtedness and lack of liquidity, while the sector as a whole endured various degrees of distress. In addition, over the course of this period 2007-10, all eyes were on the microfinance sector in Andhra Pradesh, India, as a story of commercialisation, over-indebtedness and government intervention played out and provided a further wake-up call to the industry.

The BWTP Network, as a strong advocate for the *sustainable* commercialisation of the sector as far back as 1991, in contrast to actual industry trends during this period, emphasised the promotion of linkages between the microfinance industry and local commercial banking. It is this partnership approach that the BWTP Network would continue to promote as its next major project in 2007.

Despite the many challenges, the sector continued to grow and provide financial services to growing numbers of the financially excluded. An industry-wide emphasis on transparency and responsibility regarding pricing and loan practices, as well as the increased sophistication of social performance management, gained greater momentum and urgency in light of the international criticism of microfinance, and demonstrated that the sector as a whole was capable of responding positively to this major shift.

2007 saw a leadership change, with Craig Wilson taking over from Beris Gwynne as Executive Director FDC, and Jamie Bedson taking responsibility as Lead Coordinator of the BWTP Network. During this period, long term associates and contributors to the BWTP Network continued to provide continuity and support, thereby demonstrating the longevity and relevance of BWTP Network ideals.

4.2 Capacity Building for Partnerships

2007 began with the BWTP Network receiving its second large grant from the Citi Foundation for a range of activities, which included the Asia Microfinance Forum 2008 and further development of the promotion of the partnership/linkage approach between microfinance stakeholders.³⁶

As noted in the introduction, this period for microfinance in Asia was marked by a raft of changes driven by the increased commercialisation of the industry. This resulted in tremendous challenges, including increased competition, inadequate capital supply, the need for innovation in service quality, product design, acquiring and adapting new technologies, changing the restrictive regulatory environments, and the desire to maintain a positive social impact while striving for financial sustainability. The BWTP Network, as a strong advocate for the position that by adapting to, and overcoming, both the changes and challenges posed by commercialisation, there would be great potential for the industry. There is the understanding that this would require much effort in terms of exploring, building, and maintaining a vital vehicle for success—partnerships.

By the mid-2000s there existed numerous examples of MFIs that had moved from simply being providers of microcredit, to offering an array of financial products and services, including insurance, remittance, savings, and payment services. In countries across Asia, MFIs forged relationships with banks and other organisations

to expand their credit outreach, as well as with economic and social service providers to help manage their credit risks, and to extend the social and economic impact of their services. While microfinance has been linked to the provision of services—such as health and education—for many years, MFIs were increasingly finding innovative ways of facilitating the expansion of access to a range of products, including telecommunication services, solar energy and biogas, water and improved sanitation, often on a commercially sound basis.

Building on some of the Network's initial work in relation to linkages and delegate discussions at the AMF 2006, the BWTP Network, with Citi support, invested in the development of training materials to support the advancement of constructive partnerships in microfinance.

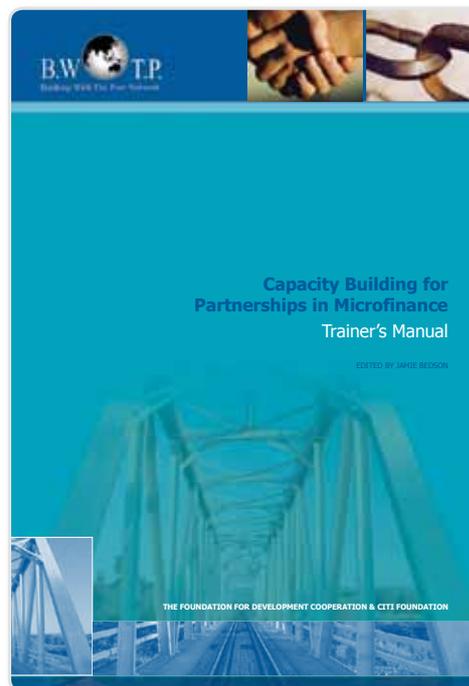
Aside from BWTP Network's earliest work on linkages, there were also more contemporary building blocks which contributed to the increased understanding of the partnership approach. Briefing papers produced under the first major Citi Foundation-funded grant program in 2006 sought to explore partnership models for extending the provision of sustainable financial services to the poor, a theme that was further elaborated on at the AMF 2006. Two papers on *Linkages and innovative partnerships in Microfinance* and *Financial linkages in Bangladesh* by Md. Abdul Awal of CDF Bangladesh, and *Partnership Approach in Microfinance* by Paul Greener, Senior Program Manager, FDC, formed the basis for stimulating discussion at the Beijing conference, and as the basis of intended ongoing work on partnerships and linkages with the Global Knowledge Partnership (GKP), FAO and the Citi Foundation.³⁷

The BWTP Network initially worked with the Food and Agriculture Organization of the United Nations (FAO) (which had already undertaken a major research study into the area of partnerships in microfinance) to conduct a workshop in India which explored an initial framework for delivering training in partnership brokering. The

workshop, in late 2006, targeted institutions from the North East of India and small organizations less experienced in building and maintaining partnership arrangements. The workshop was an interactive and practical-based intensive workshop combining classroom teaching, case studies and panel discussion, with guest speakers from leading Indian organizations that have led the world in microfinance linkage approaches, and included members of the BWTP Network such as FWWB, BWDA and Ing Vysya Bank. Moderators and resource people for the workshop included international experts in the field, such as Sanjay Sinha and Ragini Chaudhary from EDA Rural Systems, independent consultant and well known microfinance expert, Malcolm Harper, Paul Greener of FDC, and Maria Pagura of the FAO.

In 2007, with Citi Foundation funding secured, the BWTP Network was able to undertake one of its most significant activities of the period, the development of the *Capacity Building for Partnerships in Microfinance Trainer's Manual*³⁸. The trainer's manual was to be the BWTP Network's second large-scale training initiative with materials made available on line free to all stakeholders internationally.

The model for the BWTP Network's training evolved over a series of symposium and workshops in India, Indonesia, and Sri Lanka during 2006/07. The BWTP Network worked to disseminate its unique partnership model to stakeholders in all major microfinance industries. These workshops highlighted that although the number of partnerships and alliances were growing across the region, there was still a limited understanding between MFIs and the private sector with respect to the direction and potential of the microfinance industry. At the same time, there was clearly a growing interest in developing greater capacity for entering into partnerships. Initially, workshops centred on partnerships for sourcing capital to enable expansion in lending and the diversifications of financial services,



The Capacity Building for Partnerships in Microfinance Trainer's Manual, published in 2007.

particularly provision of micro-insurance and money transfer services. However, the sharing of partnership experiences, case studies and examples from across the region resulted in an expanded scope of the kinds of partnerships discussed. Exposure of participants, and more importantly decision makers, to innovation in other national microfinance industries quickly became a central part of the workshops Network approach to partnerships.

The modules contained in the curriculum focus on the stages of the 'partnership cycle' (exploration, building and maintenance), and contain a set of 12 case studies demonstrating successful partnerships in the microfinance industry globally. The curriculum was designed to enable trainers to adapt the materials to raise awareness of the potential of partnership approaches in microfinance, with a specific focus on MFIs. The curriculum also aims to better equip managers of financial and other institutions in assessing, and



Partnership negotiation: Representatives of commercial banks (left), prepare for a partnership negotiation role-play with representatives of MFIs (right) following two days of workshop.

maintaining mutually satisfactory partnerships that would enable them to better deliver sustainable and appropriate financial and other nonfinancial services to the poor. The curriculum was originally designed by Paul Greener and completed and edited by Jamie Bedson over the course of 2007/2008.

The first workshop using the completed curriculum was held in Dhaka, Bangladesh, February 24 – 26th, 2008 in conjunction with the Credit and Development Forum. The workshop in Dhaka was an ideal testing ground for the materials. While linkages between Banks and MFIs have a relatively long history in Bangladesh, there was still at this time extremely limited understanding between MFIs and banks, and even less opportunity for direct interaction on the potential and opportunities for partnerships. For this reason, the organisers sought to ensure that a variety of stakeholder institutions were represented to encourage a dialogue between formal and informal institutions, and healthy

debate on the issues. Senior and top executives from NGOs, private banks and a few high ranking government officials took part in this workshop.

The workshop demonstrated that the key to the success of the BWTP Network partnership workshops was the buy-in and commitment of senior and top executives from NGOs and private banks, government officials, and a variety of microfinance practitioners drawn from both the ranks of management and the field. While the approach challenged various perceptions of ‘status’ among participants, it proved an extremely effective means of stimulating dialogue on partnerships not just between non-traditional partners, but also up and down management chains. While the original objective of the workshops was to improve the capacity of small- and medium-sized MFIs, experience has shown that they can also facilitate a transfer of knowledge among a much broader range of institutions, demonstrated by the diverse attendance and workshops and backgrounds of organisations requesting the materials.

This work in facilitating the transfer of knowledge between a wider institutional base continued in 2008 with the hosting of the second Asia Microfinance Forum, this time in South East Asia.



NGOs at the Dhaka workshop prepare to conduct a role-play partnership negotiation with their commercial banking colleagues.

4.3 Asia Microfinance Forum 2008, Hanoi, Vietnam

The BWTP Network and FDC incorporated its work on partnerships into the development of the agenda for the Asia Microfinance Forum 2008, held in Hanoi, Vietnam, on August 26 – 29, 2008. With lead sponsorship once again secured from the Citi Foundation, the Network was able to convene its largest gathering of microfinance practitioners and stakeholders, in collaboration with the Vietnam Bank for Social Policies. The key objectives of the conference were: to identify and target future challenges and opportunities arising from areas such as financing and investment, new technologies, and environmental issues; to encourage the effective development of innovative microfinance products and approaches between and among stakeholders in the Asia region; and encourage partnerships and cooperation in Asia among microfinance service providers, financiers and regulators in order to increase peer learning in microfinance.

The AMF 2008 brought together 550 leading microfinance practitioners, policymakers, financiers, academics and advocates from 50 countries to discuss the themes, and the conference received overwhelmingly positive feedback from the majority of participants. A total of 95 speakers and moderators participated, again with a strong focus on the contributions of practitioners and members. The BWTP Network and FDC completed work on the conference with the conviction that it was on the right track in relation to increasing its own, and its members', profiles in the region.

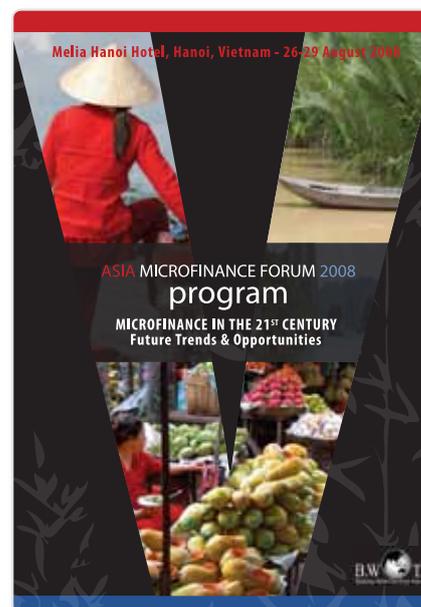
The BWTP Network selected Vietnam as the location for the AMF as it had identified, due to its previous work with practitioners in the Mekong region countries and through contacts with the Vietnam Microfinance Working Group, that concerted advocacy was needed in countries where the growth of sustainable microfinance was being undermined by the national regulatory environment. Vietnam was one such example.

The financial depth of the formal financial sector in Vietnam and the existence of policy lenders meant that there was no clear market delineation between the formal banking sector and the microfinance market. The constraints in Vietnam were

(and are) related to fragmentation, concentration of markets, the existence of subsidised policy lenders, and interest rate controls that were affecting the entire financial sector.

To ensure that dialogue was inclusive and meaningful, the State Bank of Vietnam, the Vietnam Bank for Social Policies and the Vietnam Microfinance Working Group were all actively engaged in both the planning and participation throughout the conference. In addition, the BWTP Network published the first of its next tranche of microfinance industry assessments on Vietnam, which also benefited from the contribution of the three Vietnamese stakeholder institutions.³⁹

On a regional level, the AMF 2008 attempted to focus on the challenges and innovations that would have the greatest impact on microfinance in the coming decades by looking at issues of perennial importance, and 'horizon' issues being discussed by the broader international industry. The forum's overall theme was 'Microfinance in the 21st Century: Trends, Challenges and Opportunities'. The AMF agenda was organised into five core themes: Financing and Investment, Savings and Asset Building, Industry Networks, Technology and Sustainable Environmental Development. Jamie Bedson, the BWTP Network Coordinator, led on the development of an agenda



Asia Microfinance Forum 2008

and undertook a membership survey to determine the priorities in terms of agenda's content.

For the financing and investment theme, the BWTP Network and FDC partnered with PlaNet Finance to organise not only panel sessions, but also an 'investor marketplace' which sought to further their mutual priorities of facilitating linkages between MFIs and commercial funding. At the time in late 2008, the full effects of the Global Financial Crisis were yet to have a substantial effect and the industry was awash with its funding for MFIs. While access to commercial (and foreign) sources of finance was providing growing opportunities for the microfinance sector, the BWTP Network also recognised that MFIs required the information, expertise, and tools to facilitate investments and to understand which ones are providing the greatest benefits to MFIs and customers. The investor session and marketplace were intended to provide members with the best possible opportunity to initiate negotiations with potential, screened, investors.

Savings and Asset Building was, and has continued to, remain a key issue for the microfinance community, even as access to credit takes the limelight. Discussions on the capacity of the poor to accumulate savings and build assets as an integral part of poverty alleviation and sustainable economic development demanded attention as a theme at the AMF 2008. The slow progress of technology, following its early potential for rapidly increasing the outreach of microfinance services, also made for interesting debate within the AMF.

An issue of recent discussion amongst some industry stakeholders was the role of microfinance in relation to the environment; particularly in relation to its effects due to the use of loans by its clients, and also the potential for microfinance to finance access to sustainable products. The ever-increasing awareness of the effects of climate change had focused some debate on the issue of household and micro-entrepreneurs' CO2 emissions in the developing world, while microfinance was being seen as potentially providing a vehicle for creating sustainable microenterprises through the



Pam Flaherty, President & CEO of the Citi Foundation, welcoming delegates to the AMF 2008 in Hanoi.

financing of products such as renewable energy, environmentally sustainable sanitation and water systems, and ecotourism. Additionally, financing mechanisms such as green investment funds and carbon trading were discussed both for expanding the outreach of environmentally sustainable microfinance, and enhancing the economic sustainability of MFIs. While this area was still very premature for the Asian sector, and certainly a lower priority in light of eventualities over the following few years, the topic was well received.

The last theme was one of significance for the BWTP, as it marked a new chapter in the network's efforts to work more closely with the region's national microfinance networks. FDC and the BWTP Network had recently received a grant from the Citi Foundation to participate in the Citi Network Strengthening Program (discussed in the following section), and a strategic priority for that Program was for the BWTP Network to become a platform for information sharing between national networks. To this end, in partnership with the SEEP Network and ADA, the first Asia Network Summit was held prior to the formal AMF proceedings. As national networks play an essential role in offering a wide range of services and are vital to the maintenance of a healthy microfinance sector, the BWTP Network aimed to promote their role to the wider microfinance community in Hanoi.

4.3.1 BWTP Network General Meeting

A BWTP Network General Meeting was held prior to the AMF 2008 and was attended by representatives of 22 member institutions. Three issues of significance were on the agenda: the redrafting of the BWTP Network constitutions; the election of a new Executive Committee; and member endorsement of the formal incorporation of BWTP Network in Singapore, at a time to be determined by the BWTP Network Executive Committee.

The redrafting of the BWTP Network constitution was undertaken by Dr John Conroy, who had remained a long-term associate of the BWTP Network and Special Consultant to FDC following the end of his tenure as FDC Executive Director. An updated constitution was considered necessary to reflect the changes in the industry and to therefore ensure the continuing relevance of the BWTP Network's mission. Central to the updating of the constitution was a renewed mission, which was the subject of much debate between members. The revised mission was in line with the BWTP Network's long term philosophy, but also looked to the future:

- › The Banking with the Poor Network is committed to improving the quality of life of the poor through promoting and facilitating their access to sustainable financial services.
- › The BWTP Network will respond positively to the growing diversity of microfinance institutions, technologies and products insofar as these are capable of achieving greater financial inclusion of the poor on a sustainable basis.

The redrafting of the constitution aimed to ensure an emphasis on financial services in general, rather than any specific product or methodology and the admission of a variety of institutional forms and models to the network (by expanding the range/type of institutions able to apply for membership). The overall emphasis marked a shift in focus to financial inclusion (a policy of achieving universal access to financial services) from solely microfinance (a tool for achieving greater financial inclusion).

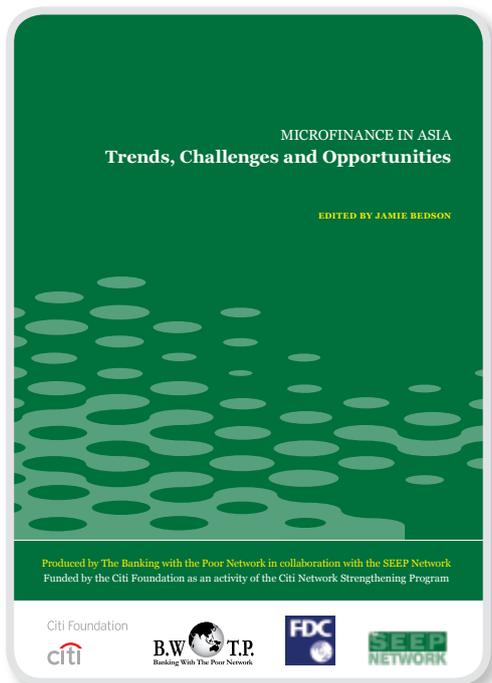


The BWTP Network Executive Committee 2008 – 2010; l – r Syeda Obaida Haque (Shakti), Nhan Cu Phan (VBSP), Chandula Abeywickrema – Chairman (Hatton National Bank), Md. Abdul Awal (CDF), Nimal Mamaduwa (Sanasa), Craig Wilson (FDC), Jamie Bedson (BWTP/FDC), *absent* Ruben de Lara (TSPI).

The BWTP General Meeting also held elections for the Executive Committee, with Chandula Abeywickrema remaining as Chair.⁴⁰

4.3.2 Microfinance in Asia – Reporting on the Status of the Sector

A summary report of the AMF 2008, *Microfinance in Asia: Trends, Challenges and Opportunities*, was published by FDC and the BWTP Network in 2009.⁴¹ The chapters covering the themes of the AMF 2008 were prepared by partner organisations that had participated in the conference (PlaNet, Unitus, the SEEP Network, Arc Finance, RBAP-MABS). The report, edited by Jamie Bedson, also included a comprehensive review of recent industry reports for the region's national microfinance sectors, which were prepared by the BWTP Network and other country-level networks. This marked the first attempt by the BWTP Network to collate reports on the entire Asian microfinance sector and thereby provide a comprehensive snapshot of the same. The various country industry assessments focus on core issues such as the structure of microfinance providers, regulations and government initiatives, products and services, meso-level organisations, funding sources and microfinance impacts.



Microfinance in Asia: Trends, Challenges and Opportunities: a summary of the sector in 2008.

4.4 The Citi Network Strengthening Program

Running parallel to preparations for, and hosting of, the AMF 2008 was the beginning of what would prove to be a significant project for the BWTP Network. The Network was selected in late 2007, along with 11 other microfinance networks globally, to participate in the Citi Network Strengthening Program (CNSP), a 3-year program funded by the Citi Foundation. The CNSP as a whole constituted the Citi Foundation's biggest single grant program and demonstrated a further commitment to building the microfinance support sector, of which the BWTP Network was a part.

The CNSP aimed to enhance the industry's infrastructure, introduce higher standards of management and governance, and promote the role of microfinance in providing the poor with access to financial services. The program was implemented by the SEEP Network, an organisation which would also become a valued and influential partner of the BWTP Network

over the course of the project. Under the CNSP program, the SEEP Network was able to provide support, advice and input into a range of activities over the course of the program.

The opportunity to participate in the CNSP was timely for the BWTP Network secretariat. It provided the resources to work on the much needed strengthening of procedural and governance systems, including membership strategies and services; continued to build its reputation in the region as the network for producing quality, up-to-date publications on the sector; increasing its visibility through more effective marketing and maximising the many peer learning opportunities provided in the program, particularly with other regional networks. The CNSP also provided an opportunity to undertake the network's first review since 2001, and much effort was expended in implementing the resulting recommendations.

The CNSP included multiple components such as two network capacity assessments (at the start and finish of the program); the production of multiple country reports, technical exchanges with other networks, improvements to the BWTP Network website, improvements to member services, investments in governance and the development of a business plan. One of the final stated aims of participation in the CNSP was the goal of registering the BWTP Network in Singapore as a legal entity, independent of FDC.

The activities of the BWTP Network described in 4.5 – 4.7 below were all undertaken under the aegis of the CNSP initiative.

4.4.1 Relocation of the BWTP Network Secretariat to Singapore

The beginning of implementation of the CNSP also coincided with the FDC's first overseas office and FDC Singapore commenced operations on 30 July 2008. The BWTP Secretariat was co-located to the FDC Singapore office. Jamie Bedson was appointed as FDC's Asia Regional Representative and would head up FDC Singapore, while remaining BWTP

Network Lead Coordinator. Assistant Coordinator for the BWTP Network, Jack Lord Rubillar, was appointed one year later. The move to Singapore was considered an important one by FDC, the BWTP Executive Committee and membership as the location of *Asia's* microfinance network in a country outside of Asia, was becoming more difficult in regard to attracting funding and providing opportunities for regular face to face consultations with members and other stakeholders. It was also not consistent with the growth strategies for the network.

4.5 Planning for Independence

The CNSP provided the BWTP Network, within broad guidelines, to propose a range of activities, some stretching back to the recommendations made in the external review in 2001.

4.5.1 Network Capacity Assessment 2008

The first stage of the CNSP was a Network Capacity Assessment (NCAT) in April 2008. The assessment was conducted by Diana Dezso of the SEEP Network; Kelly Hattel, microfinance consultant working with SEEP on the CNSP program; as well as Nina Nayar. Nina was responsible for the 2001 review, and through her long term association with the network and intimate knowledge of its history, was able to provide valuable insight into the final recommendations.

The NCAT included an on-line member satisfaction survey and included 42 interviews with network members, Board members, government officials, donors and other key stakeholders in the industry. As such, it was a valuable opportunity to reconnect with members and other stakeholders that had been associated with the network since 1995, but had been in limited communication during the generational changes throughout the 2000s.

The comprehensive review looked at the governance, operations, financial viability, human resources, external relations and service delivery of the network; all of which have been unevenly focused on over the period of the BWTP

Network. This uneven focus was the result of the real difficulties of sustaining the complex tasks of research, network promotion and member services with limited resources.

The 2008 review found that despite the varying degrees of network activity since 2001, the Network mission and vision were still highly valued by its members and key stakeholders, and support remained strong for the ongoing development and growth of the Network. Interactions with members and key stakeholders demonstrated that the Network had made many contributions to the sector since it was founded, primarily in forging connections between the commercial sector and microfinance providers in Asia; this is what had up until that time made the BWTP Network unique.

The recent changes in leadership at the BWTP Network (as a result of changes at FDC) and renewed efforts to connect with members had helped to re-energize the commitment of the Network and external stakeholders as to the potential of a strong regional network. The review thus emphasised the many opportunities for the BWTP Network to collaborate with policymakers and relationships to be established between different types of organizations involved in microfinance. The 2008 elections had further ensured that the network was governed by a committed Executive Committee representing key industry leaders. A key focus for the network as it worked towards independence was to clearly define its roles and responsibilities (especially in relation to FDC) and provide greater opportunities for more members to become involved. This will in turn increase the transparency in the decision-making process and the sense of ownership of the network by its members.

The NCAT analysts found during the member interviews that there was strong support for the BWTP Network to continue building relationships with key industry stakeholders, advocating best practices in microfinance and to remain a primary resource of information on microfinance in the region. However, it was also recognised that the

BWTP Network should take the necessary steps to be more member-driven and member-responsive, and for it to focus its next strategic plan to serve member needs in dynamic ways.

As the BWTP Network prioritizes the areas needed for strengthening and works collaboratively with its members to develop a renewed strategic vision and a plan to implement that vision, the BWTP Network will be better able to meet the needs of a diverse group of institutions involved in microfinance in the region. This will then help advance the sector in positive ways, such that more people will have access to sustainable financial services.

As a result of the 2008 review, Jamie Bedson, assisted by Nina Nayar, developed a 5 year plan for the Network, which was approved by the Executive Committee in March 2009. The business plan was the first initiative of the BWTP Network, and sought to give focus and strategy to the difficult tasks of balancing member services, secretariat development and the continued role in industry research. The business plan committed the Network to its three core activity streams: knowledge creation and dissemination; capacity building and technical assistance; and advocacy, while concentrating on the goals and objectives towards becoming an independent, sustainable and influential network with a strong staff and membership base.

4.6 Asia Network Summits 2008 – 2010 and the Global Network of Networks

As the microfinance industry expanded internationally and in Asia, country and regional microfinance networks began to play an increasingly important role in facilitating this growth and development. Over the course of the decade, their growing influence in the sector was recognised by the funding they received and partnerships they developed. The BWTP Network secured its place as the premier Asian regional

network, being one of 60 development finance networks active in 82 countries, and representing a client base of over 16 million. During this period the CNSP provided opportunities for the BWTP Network to interact with network peers internationally, and also provide a platform for networks in Asia to work closer together.

Forging closer collaboration with networks was a key strategy for the BWTP Network during this period, and intersected with the work of the SEEP Network. The ultimate objective was to build an international microfinance network infrastructure that would greatly enhance the extent to which networks, both regional and national, would have access to information, tools and expertise to better serve the needs of their members. Building stronger, accountable networks with peer support would serve to enhance their credibility with all stakeholders; not only amongst members, but importantly, with policy makers and potential funders.

4.6.1 Asia Network Summits 2008 – 2010

The BWTP Network secretariat first articulated its concept of an Asian ‘network of networks’ at the inaugural Asia Network Summit (ANS) which was held prior to the AMF 2008 in Hanoi on 25th August. The rationale behind this strategy was to broaden the outreach of the BWTP Network and national network services by working with established national networks; creating linkages at a network level through national networks becoming BWTP Network members; forging linkages at a members’ level via national networks; offering networking opportunities for networks and their member organisations to access information, technology and improve their services on the ground; and to develop the capacity of networks to serve their member MFIs by providing them with specific kinds of information, received from the networks and consolidated by the BWTP Network. This approach to the work of networks was based on the belief that a stronger regional industry is in all national industries’ best interests; that, as Asia



Microfinance networks from around the region sharing experiences at the Asia Network Summit.

is a unique industry (small loan sizes; extremes of outreach and population density; emphasis on group lending and social outcomes), it is best served by an Asia-focused central information/knowledge storehouse.

Network representatives at the Summit endorsed the concept of the BWTP Network playing a role in facilitating network coordination; however it was clear that the Network should in no way be seeking to 'represent' the networks sector. National networks play an important role in building relationships with their local policy-makers in trying to influence microfinance policy, and therefore their independence is vital.

Central to this strategy was the BWTP Network's organising of seminars, workshops and forums on various themes based on regional interests and specific country level interests, and also providing networks to promote, region-wide, activities and services which they are undertaking. This resulted in the hosting of the annual Asia Network Summits (ANS).

The first ANS was held in conjunction with the SEEP Network and ADA, two central advocates of building relationships between microfinance

networks. The ANS was attended by nine national microfinance networks from Asia and focused on several issues central to the work of microfinance. These included social performance management, membership and member services, governance and financial literacy. Additionally, networks from the region were given the opportunity to hear from established international networks from Eastern Europe (the Microfinance Centre) and Ethiopia (the Association of Ethiopian Microfinance Institutions).

A second ANS, held over four days in Singapore on 25 – 28 August 2009, looked to expand

the forum to include more networks from the region and utilised a workshop approach to increase value for participants. The ANS 2009 further increased collaboration, information and knowledge exchange between networks and provided opportunities for technical exchange on shared issues of importance. In line with the BWTP Network's objective of building the strength of newer networks in the region, the program in Singapore included a 'Building Strong Networks' training program for nascent microfinance networks, facilitated by the SEEP Network. The ANS proper included skill-building workshops and networking opportunities for all Asian microfinance networks in attendance, with an emphasis on peer presentations. The topics covered were based on responses to a survey of networks prior to the event, and included member services, advocacy and communication, social performance management and the introduction of a SEEP initiative to measure the success of microfinance networks (for which the BWTP had acted as regional coordinator). The ANS 2009 was supported by a number of partners, including the SEEP Network, ADA Luxembourg, Citi Foundation and Citi. The ANS 2009 was expanded

to 12 networks, including representatives from Afghanistan.⁴² An evening information session, in which a representative from each Asian national network participated, discussed issues central to the sector, such as the effects of the 2008-09 Global Financial Crisis. The session highlighted and reinforced that any meeting of national microfinance networks had to effectively represent a large percentage of the entire Asian sector. This session was recorded and promoted via a BWTP Network YouTube channel and was accessed by hundreds of interested people internationally.⁴³

The ANS 2010 was held in Colombo, Sri Lanka prior to the AMF 2010 on 11 and 12 October 2010. The event was again supported by the SEEP Network, ADA Luxembourg and the Citi Foundation and attended by 11 national networks. While the ANS 2009 focused on the presentation of peer exchanges, the ANS 2010 included a range of guest presenters on both the current areas of priority for network and the 'horizon' issues identified by the BWTP Network and its partners. Issues covered included advocacy, triple-bottom line microfinance (profit, people and planet), the role of networks in client protection, social

performance management and an introduction to the suite of tools developed by the SEEP Network for microfinance associations. Also, in an attempt to reach out to potential donors and better inform large regional stakeholders about the role of networks, representatives of the Asian Development Bank attended as observers.

In relation to the further development of the BWTP's 'network of networks' strategy, Jamie Bedson was able to introduce delegates to the recently created network's website platform and newsletter template, both ideas that had been suggested by networks at the previous ANS. These would go 'live' in 2011.

4.6.2 Global Network of Networks

While providing the opportunity to enhance ties with Asian microfinance networks, the CNSP also included activities aimed at increasing peer exchange between networks internationally. These interactions were invaluable in providing guidance in the implementation of the BWTP business plan.

Over the course of the CNSP the BWTP Network was represented by Jamie Bedson at the Global Network Summits 2007 – 2010, which were



Delegates to the Asia Network Summit 2009 representing 12 national networks.

hosted by the SEEP Network, in Washington DC. On each occasion the BWTP Network was able to represent Asian microfinance and work with national networks to promote and disseminate information on the sector to an international audience.

In 2009, Jamie Bedson attended training on Social Performance Management (hosted by the Microfinance Centre in Belgrade), and on Advocacy and Communication (hosted by Sa Dahn in Delhi), and also at the Cairo Association Management Training Institute in February 2010 which was also attended by the 12 networks participating in the CNSP.

Lastly, the BWTP Network was asked to act as co-analyst for an NCAT for the Sanabel Network in May 2010 during their Middle East Regional Microfinance Conference in Damascus, Syria. This provided a fascinating insight into the inner-workings of a regional network peer, and greatly enhanced ties between the two networks.

4.7 Industry Reports and Bulletins

The first round of country assessments undertaken in 2004 – 06 during the development of the Asia Resource Centre for Microfinance provided the foundation for a large number of reports published by FDC and the BWTP Network from 2008 – 2010. As a core product of the Network, attention was paid to selecting countries where a dearth of current reporting existed, so as to identify recognised industry consultants and professionals in each of the countries studied. These reports were to become the first point of reference for stakeholders interested in detailed overviews of national microfinance industries. A key component of the reports published in this period is that all (bar Bangladesh) were translated into local languages. The BWTP Network understood that this would maximize their potential of being read by policy-makers in each country, especially in consideration of the large number of recommendations contained in each one.



The BWTP Network released eight full length industry reports in 2008 – 10

4.7.1 Comprehensive Updating of National Sectors

In 2008 the *Microfinance Industry Report: Vietnam* was the first report to be published (in time for the AMF 2008) and is discussed in 4.3 above. This was followed in 2009 by Microfinance Industry Reports for Bangladesh, Indonesia, Nepal and Sri Lanka, which were each undertaken in partnership with member institutions and partners in each country.⁴⁴ Each assessment was reviewed by BWTP Network members, and this contribution ensured that the recommendations contained within represented much needed change within each of the sectors.



BWTP Network Industry Reports were translated into nine local languages.

4.7.2 Mekong Country Reports

In 2010 a series of reports on the Mekong regions countries were published, including Laos PDR, Myanmar and Thailand.⁴⁵ These were unique as they represented the first in-depth studies of financial inclusion and microfinance in each of the countries. Taken together, the reports demonstrated great differences across sectors in the region. Indeed, each of the sectors represent a challenge when perceived through the eyes of 'traditional' microfinance, that done by institutionally recognisable MFIs. Each demonstrated the great diversity in the provision of current financial services for the poor across the region, from the extremely nascent to the relatively well developed, implemented by a variety of institutions on a wide continuum of best practices.

While very different, the commonalities between each of the Mekong countries was also apparent in the need for clearer and market-oriented regulation, a rethink on direct government involvement in the sector, improvements in the management information systems (MIS) and overall management and governance, and greater coordination within sectors. Greater advocacy on the part of industry players, both within sectors and internationally, and the implementation of more conducive policies, are essential for the microfinance sector to flourish in South-East Asia.

4.7.3 Microfinance Industry Updates

Missing from the list of Mekong country publications was Cambodia. However, as it was a country that had been exhaustively documented over the recent years, the BWTP and FDC worked directly with the Cambodia Microfinance Association and launched the first in its series of Industry Updates in August 2010. The intention of these was to produce relatively short updates on the sector on a regular basis.

Also published in 2010 was the East Timor Industry Update, a rare overview of microfinance and financial inclusion in the region's youngest country.⁴⁶

4.7.4 BWTP Network Bulletin

In mid-2010 the secretariat worked to provide the opportunity for researchers across the region to undertake research into the issue of financial inclusion. These papers would contribute to sessions during the upcoming Asia Microfinance Forum 2010. Utilising CNSP funding, a regional research competition was held to attract proposals for discrete research for a limited duration of 3 –4 months from researchers and consultants, both individuals and those representing microfinance stakeholder organisations. The research competition encouraged research submissions based on a variety of methodologies. 8 of the abstract ideas that were submitted were provided with grants to complete their research, and these were published in the first editions of the BWTP Network Bulletin.⁴⁷ This publication was launched to provide an avenue for the BWTP Network to publish original research from a wider range of voices in the region.

4.8 Asia Microfinance Forum 2010, Colombo, Sri Lanka

'We have talked of all sorts of crises but maybe we are facing a crisis of values.'

- Rolando Victoria, Executive Director of ASKI Philippines, AMF 2010

The third Asia Microfinance Forum was held in Colombo, Sri Lanka, from 12 – 15 October 2010. The Citi Foundation again provided generous funding support as lead sponsor, while network member Hatton National Bank (HNB), as local host, contributed funding and considerable resources towards the organisation of the event.

In accordance with the Network commitment of hosting the AMF within a country with an emerging microfinance market, so as to act as a catalyst for change or progress in that country, Sri Lanka came in as a high priority on the list of candidates. Having suffered for several years from civil war, Sri Lanka presented an opportunity for the event to support financial reform and inclusion, and leave a lasting, positive impact on the country's poor as it continues to rebuild itself.

As per previous AMFs, local stakeholder participation was essential in developing a successful conference and the Central Bank of Sri Lanka and Government of Sri Lanka both expressed enthusiasm for the event. The partnership with HNB resulted in substantial media coverage leading up to the event, and consequently, a large Sri Lankan representation. In a new record for the AMF, the Forum attracted more than 450 experts from over 50 countries.

It took some time for the theme of the conference to be determined, due to the large range of competing priorities, trends and challenges in the sector at that time. However, as a result of consultations with a range of BWTP Network stakeholders, and especially members, it was decided that the AMF 2010 would be broad in scope and focus on the wider issues of 'financial inclusion' as they pertain to microfinance. The relative strength of the Asian industry through the Global Financial Crisis highlighted the pivotal role of microfinance in ensuring access to reliable, quality financial services. The AMF 2010 became an opportunity to promote the view that increasing financial inclusion is dependent on the microfinance sector increasing its capacity to provide innovative, well-structured and appropriate services sustainably and to scale, across all countries.

Therefore, the theme of the AMF 2010 - Financial Inclusion – Achieving Asia's Potential – resulted in a strong agenda focusing on a broad range of solutions to financial exclusion in the region. These were broadly placed into the categories of: Understanding Financial Inclusion; Client Education; Products and Services; Governance and Management and Policy, Regulation and Investment. The theme that underpinned this, and which the BWTP Network emphasized to all delegates and speakers, was to keep discussions focused on the client. What are the sustainable, responsible strategies for increasing inclusion in Asia?

In 3 years time, what I'd like to see in the Sri Lanka MF industry is partnerships between commercial banks and MFIs. There will be a transfer in energy in the whole industry and banks can provide the transition of our country's microfinance sector by funding for training etc.

Audience delegate, Sri Lanka
Special session AMF 2010

Over the course of the conference, the AMF 2010 was an experience of intense debate from experts. These sessions demonstrated continuity with BWTP Network priorities set out in previous AMFs and included more than sixty practitioners, researchers and microfinance professionals from across the region and internationally. The BWTP Network membership was especially well represented amongst the speakers. For the first time, the conference was blogged 'live' to an international audience in real time, and conference reports posted at the end of each day to encourage feedback on the debates.⁴⁸

In line with the BWTP Network's efforts to promote the local sector, the *2009 Microfinance Industry Report: Sri Lanka* was updated by partners GTZ and provided to all delegates of the AMF 2010. This was in conjunction with a special session on microfinance in Sri Lanka, which was well attended and demonstrated a sense of frustration amongst stakeholders at the lack of progress within the sector. Despite the down-scaling of commercial banks into microfinance, the majority of representatives of the commercial banking sector still considered MFIs in Sri Lanka to be costly and risky in terms of lending. The session also came at a time when a regulatory framework for microfinance had yet to be developed, and the draft legislation was a cause of great concern to many in attendance. A strong message was therefore sent to the policy makers and the formal financial sector in the country.

It was however the issues of the day for the microfinance sector globally – commercialisation, unsustainable growth, responsible (or more the point: irresponsible) lending, over indebtedness, transparency - that dominated much of the debate. Delegates were divided on the problems and the solutions, but concurred that rapid growth was to the detriment of clients and the industry, if not undertaken in parallel with strong and accountable management and governance, regulatory and policy frameworks and a rigorous commitment to client protection through the development of appropriate products, financial literacy and transparency.

In 2010, as in 1991, the BWTP Network continued to host debates on the relationship between the commercial banking sector and microfinance institutions. As the discussion varied between the two topics – the lack of linkages with the commercial banking sector (for example Sri Lanka and Cambodia) and a huge upsurge in commercial capital (India) – it was clear that a balance was yet to be achieved.

“Today it is the banks that are chasing the MFIs to fund MFIs, and not the case of MFIs queuing outside the bank for capital.”

P.N. Vasudevan from Equitas on the readily available capital that creates an environment that boosts rapid MFI growth

“What has gone wrong, is that some microfinance promoters become impatient, and they have promoted the exponential growth, through the chase for capital.”

Sanjay Sinha from M-CRIL on commercialisation of MFIs

“Some firms should fail and exit the market, leaving the more competitive ones in the industry. But this is not happening. What are the forces keeping the MFIs in the market? Is it foreign investments? Why isn't the market solving it? Why aren't money lenders failing and leaving the market?”

Dr John Conroy questioning the absence of market forces in microfinance.

“The new MFI knows that he needs to get the money to grow, that he needs to go to the private equity investor. And he knows that people in this conference room will give him the money because everyone is hyped up about investing in India. That will create a pool of equity for him. We build a train that is running too fast, and if we don't check the direction of the train, we will de-rail”.

Royston Braganza from Grameen Capital India suggesting that the problem is the environment created for MFIs.

During the conference, 75% of the AMF 2010 delegates believed that commercial capacity had a positive influence on microfinance, although more than half thought that governments were not sufficiently engaged in microfinance.⁴⁹ 'Getting the framework right' was therefore more relevant than ever, and it was clear that this debate would be central to the industry in coming years.

In spite of the debate regarding the precarious state of the industry, delegates were generally optimistic that the sector's awareness of the key issues would result in effective resolutions. The broader discussion on innovation for issues as diverse as human resource management, governance and product development, and the support given to delegates' campaigns on client protection, social performance management and transparency, revealed an industry that was sensitive to the challenges it faced. These are key roles for the BWTP Network to address in the future.

We have identified that the microfinance industry is an evolving industry and it is in need of evolving regulations and an enabling environment. We should learn from history, not repeat history, bring value and create our new history with benchmarks. We are representing 2 billion people who are at the bottom of the pyramid in Asia and I hope that the last three days of deliberation will leave each of us with certain important things to do.

Chandula Abeywickrema,
Chairman, the BWTP Network,
AMF 2010 Closing Plenary

The AMF 2010 closed with the presentation of an award to Dr John Conroy, for his record of service to the BWTP network over two decades. John Conroy was associated with FDC from 1991, working closely with FDC Founder K. William Taylor, and was involved in the early meetings of bankers, NGO leaders and central bankers which led in time to the emergence of the Network. He contributed to drafting the initial constitution in 1996 and its revision in 2008, and was author or co-author of many BWTP publications over the period. John received the inaugural BWTP Chairman's Special Recognition Award in Colombo from Chairman Mr Chandula Abeywickrema.

In his acceptance speech, John Conroy recalled the drive and imagination of the late Bill Taylor. He suggested that while Taylor would be gratified to see the degree to which the sustainability and outreach of microfinance had improved, he would also be greatly concerned by some current aspects of commercialized microcredit. Dr Conroy concluded by saying he had faith in the power of the evolving financial inclusion movement. He looks forward to the day when 'microfinance' will no longer be central to that movement, because the capacity of financial systems to include poor and currently excluded people will have improved to the point where microfinance is no more than an historical curiosity.

4.9 Incorporation in Singapore

4.9.1 Network Capacity Assessment 2010

In 2010 a second Network Capacity Assessment was completed by Kelly Hattel of the SEEP Network and David Beguma of the Association of Micro Finance Institutions of Uganda, to assess progress made by BWTP during the life of CNSP. Fieldwork and data analysis for the assessment was undertaken in May 2010 in Sri Lanka, the Philippines, Cambodia and Singapore, and the report was finalised in June 2010.

The BWTP Network's results presented significant improvement in the areas of operations, human



resources, service delivery, improvements in external relations, but there was still much work to do in improving governance and financial viability. The review showed that since moving to Singapore in 2008, the BWTP Secretariat had invested a great amount of time and effort into developing effective planning processes, and in strengthening the human resource capacity of the network. The increase in the quantity and quality of services, and an improvement in communications were appreciated by members and stakeholders alike, and this was confirmed by the feedback received during the Asia Microfinance Forum 2010. Much progress was made to develop a membership strategy, which included the establishment of minimum criteria for membership, an increase in membership fees and a reinvigorated outreach campaign. By the end of 2010, the BWTP Network had its largest membership ever, had expanded its country base and ensured through a rigorous application process that members were high quality institutions.

Of the many observations and recommendations of the NCAT, central was the role of governance and the fact that the BWTP Network Executive Committee remained somewhat disempowered due to the fact that the network was still not an independent entity. Efforts to address this long-standing issue of governance were to be the last major achievement of the BWTP Network as it entered its twentieth year. By the end of 2010,

the BWTP Network had its largest membership ever, expanded its country base, and ensured that members were of a high quality by using a rigorous applications process.

4.9.2 Incorporation of the BWTP Network in Singapore

The idea of an Asian-based jurisdiction for the BWTP Network had been mooted for some years, a seemingly more logical choice than remaining relatively distant at FDC's headquarters in Australia. FDC had likewise been considering the establishment of an overseas office for some time. In 2007 Craig Wilson and Jamie Bedson held several rounds of discussions with Singapore's investment and trade promotion agency, the Singapore Economic Development Board (EDB). FDC's assessment of the utility of establishing its first overseas office and discussions with the EDB came at the same time as FDC was being invited to apply, on behalf of the BWTP Network, to participate in CNSP. In the first blueprint of the BWTP Network's three-year proposal to CNSP, a vision of the BWTP Network in 2011 was one of a network transformed from an informal network to a separate legal entity, and, as a regionally focused network in Asia. A key element of the FDC Singapore business strategy was to lay the foundation for establishing the BWTP Network Secretariat in the more logical location of Singapore, which would eventually pave the way for the BWTP Network's formal incorporation and independence.



The BWTP Executive Committee following the official signing ceremony incorporating the BWTP Ltd. L – R Craig Wilson, Ruben de Lara, Chandula Abeywickrema – Chairman, Nimal Mamaduwa, Syeda Obaida Haque, Md Abdul Awal, absent Nhan Cu Phan.

Even as there was much debate within the BWTP Network Executive Committee of the appropriateness of registering the BWTP Network in Singapore, it was mutually agreed that continuing ties with FDC would be essential in the early years of independence. As a result, the BWTP Network Executive Committee formally endorsed registration in Singapore at a meeting in November 2008.

Following numerous consultations with the lawyers in Singapore and with the BWTP Executive Committee, a new Memorandum and Articles of Association was completed. The BWTP Network was formally incorporated as a company limited by guarantee in Singapore in October 2010, and was officially signed into being by the BWTP Network Executive Committee on the 12th October 2010 at a signing ceremony at the Asia Microfinance Forum 2010 in Colombo. The new company, BWTP Network Limited, was also incorporated so as to be compliant with Singapore's Charity Act and thus be eligible for 'charity status', which confers income tax exemption and eligibility for 'International Charitable Organisation' status under Singapore law.

With independence, a new era in the BWTP Network has begun; one hoped to help secure its future and take it to the next level of development and achievement.

4.10 The Future of the BWTP Network and Microfinance in Asia

The collective wisdom and experience of the Asian microfinance community represented at the Asia Microfinance Forum 2010 highlighted that there is still much work to be done for the BWTP Network, its membership and the entire Asian microfinance community.

As noted at the beginning of the chapter 3, despite the huge amount of resources and spectacular growth of the sector, it has still only succeeded

in reaching a very small percentage of the total demand for microfinance services, and faces many challenges in coming years.

Although Asia has some of the largest microfinance practitioner institutions, including commercial banks, and a range of diverse microfinance methodologies that serve different segments of the population, the vast majority of institutions are still unable to expand outreach, and financial exclusion remains high. The reasons are mainly due to a lack of financial resources, and consequently, an inability to invest in developing an adequate system and human resource capacities to manage significant growth. Furthermore, there is a need for new institutions and innovation in microfinance technology to reach populations in remote areas, marginalised populations, and to link financial services to broader human needs, going beyond livelihoods to improving quality of life, in areas such as education, health, housing, insurance, and asset creation. Most countries lack the appropriate legal structures and regulatory frameworks to accommodate sustainable microfinance initiatives that can intermediate a range of financial services, especially savings and insurance products to ensure the social security of clients. These factors have resulted in the vast majority of the poor in communities all over Asia being dependent on available local sources of capital, at exorbitant prices. They also lack the opportunity to gradually move beyond subsistence, by building sustainable livelihoods and creating assets, and thus assuring the future of the next generation.

More investment in capacity building within the sector is required, focusing not only on the supply of capacity building services, but also on ensuring that these services are provided in a manner that respond to the varying needs of institutions based on their institutional type, legal framework, stage of development, and environmental context. Capacity building is essential for microfinance practitioners to consolidate their portfolios and prepare for significant expansion, and eventual transformation to fit into the legal and regulatory

framework of their countries. Both microfinance practitioners as well as formal financial institutions have to develop their respective capacities to cooperate with one another to forge successful partnerships for sustainable microfinance. In addition to ensuring profitability, both investor and client retailers of financial services for the poor have to be aware of their social responsibilities, and ensure a balance of financial, social and environmental impacts.

Capacity building must be informed by the available knowledge on the ground and inspire innovation at the operational and policy levels. Practitioner-led and informed research, combined with the rigorous scientific methodology of data collection and analysis, can inform high-quality curriculum and training material that can be tailored and adapted to meet the specific needs of users. Particular emphasis is needed on improving the efficiency and productivity of financial service providers to manage growth in a sustainable manner. Financial institutions that aspire to be retailers or wholesalers in microfinance will need to develop their core competencies and develop specialisation in microfinance intermediation, as it is distinct from commercial banking. Microfinance providers that operate outside the formal financial systems will have to manage successful transformations, in order to comply with the legal and regulatory framework of their country so as to successfully provide the range of financial products and services that will not only ensure their sustainability, but also allow them to serve their clients.

Long-term sustainability of the sector will depend on an expanded number of financial institutions that have adopted policies and practices that allow sustainable growth while balancing client impact, and policies that enable a legal and regulatory environment that stimulates sustainable growth, ethics and

values that are client-centred, and are based on transparency and accountability among all stakeholders. Advocacy is the key to the success of the microfinance sector, and must be informed by research based on field-based and practitioner learning. Effective lobbying must involve stakeholder participation and a combination of influencing positive change through sharing experiences and cooperating to achieve shared goals.

The BWTP project and network has made significant progress since its inception in 1991. The Network was inspired by grassroots movements of the 1980s that linked financial services with gender and livelihood issues, through self-help initiatives. Furthermore, the Network has endured as one of the earliest, and remains the only, regional network in Asia that has created a common platform for all major stakeholders engaged in the microfinance sector. Such stakeholders include practitioners, practitioner associations, wholesalers, commercial and development banks, and different institutional types, such as credit unions and cooperatives, donor agencies, investors, foundations, development organisations technical support agencies, central banks and relevant government agencies. The capacity building and research initiatives of FDC, undertaken by the BWTP Network project, have served to influence policies and practices of practitioners in the region, legal and regulatory frameworks, as well as led to successful collaborations between banks and microfinance providers, contributing to microfinance in the region.

The BWTP Network, through its core work of knowledge creation and dissemination, capacity building, technical assistance and advocacy, looks forward to working with its members to respond to this need, and to strengthen its role as Asia's regional microfinance network.

Appendix One – BWTP Network/FDC Publications and Reports

The BWTP Network has published a range of reports, books and monographs over the last 20 years. A selection of these is listed below.

Books

- › Bedson.J (Ed.), 2008, *Capacity Building for Partnerships in Microfinance Trainer's Manual*, The Foundation for Development Cooperation: Brisbane.
- › Bedson.J (Ed.) (2009), *Microfinance in Asia: Trends, Challenges and Opportunities*, The Foundation for Development Cooperation and the Banking With the Poor Network: Brisbane.
- › Conroy.J.D, Taylor.K.W and Thapa.G.B (1995), *Best Practice of Banking With the Poor*, The Foundation for Development Cooperation: Brisbane.
- › Conroy .J.D & McGuire .P.B, (2000), *The Role of Central Banks in Microfinance in Asia and the Pacific: Overview*, Volume 1 of a two-volume study prepared for the Asian Development Bank by The Foundation for Development Cooperation., Asian Development Bank: Manila.
- › Credit and Development Forum (2009), *Microfinance Industry Report: Bangladesh*, The Foundation for Development Cooperation: Brisbane.
- › Diaz.L & Hansen.L, (2008), *Microfinance Industry Report: Vietnam*, The Foundation for Development Cooperation: Brisbane.
- › Fernando. R (2009) *Microfinance Industry Report: Sri Lanka*, The Foundation for Development Cooperation: Brisbane. Brisbane and GTZ-ProMis: Colombo.
- › Goodwin-Groen.R (1998), *The Role of Commercial Banks in Microfinance: Asia Pacific Region*, The Foundation for Development Cooperation: Brisbane.
- › Hogenhout. T (2010), *Microfinance Industry Report: Laos PDR*, The Foundation for Development Cooperation: Brisbane.
- › Mathison.S, (Ed.), (2006), *Microfinance and Disaster Management Trainer's Manual: The Foundation for Development Cooperation: Brisbane.*
- › McGuire.P.B, Conroy.J.D and Thapa.G.B, (1998), *Getting the Framework Right: Policy and Regulation for Microfinance in Asia*, The Foundation for Development Cooperation: Brisbane.
- › Purnama. F (2009), *Microfinance Industry Report: Indonesia*, The Foundation for Development Cooperation: Brisbane.
- › Rural Microfinance Development Centre Ltd. (2009), *Microfinance Industry Report: Nepal*, The Foundation for Development Cooperation: Brisbane.
- › Setboonsarng.T (2010), *Microfinance Industry Report: Thailand*, The Foundation for Development Cooperation: Brisbane.
- › Shaw.J (2006), *Remittances, Microfinance and Development: building the links Volume 1: a global view*, The Foundation for Development Cooperation: Brisbane.
- › Thapa.G.B, Chalmers.J, Taylor.K.W, and Conroy.J.D (1992), *Banking With the Poor*, The Foundation for Development Cooperation: Brisbane.
- › Vincent.S (2010), *Microfinance Industry Report: Myanmar*, The Foundation for Development Cooperation: Brisbane & ACTED: Paris.

Monographs

- › Apostol.M & Chan.F (1998), *ASKI: Case Study of a Philippine Microfinance Institution*, The Foundation for Development Cooperation: Brisbane.
- › Cambodia Microfinance Association (2010), *Microfinance in Cambodia*, BWTP Network Industry Update.
- › Chua.R.T (1998), *Impact of Access to Credit on the Poor: Research Design and Baseline Survey for a Longitudinal Study*, The Foundation for Development Cooperation: Brisbane.
- › Chua.R.T (1998), *The Performance and Sustainability of Two Philippine Microfinance Institutions*,
- › Day.M (2010), *Microfinance in Timor-Leste (East Timor)*, BWTP Network Industry Update.
- › FDC (1996), *Banking with the Poor in the South Pacific*, The Foundation for Development Cooperation: Brisbane
- › McGuire.P.B (1997), *Microfinance in the Pacific Island Countries*, The Foundation for Development Cooperation: Brisbane
- › Miranda. M. F (1998), *KMBI: Case Study of a Philippine Microfinance Institution*, The Foundation for Development Cooperation: Brisbane.
- › Llanto.G.M and Chua.R (1996), *Transaction Costs of Lending to the Poor: A Case Study of Two Philippine Non-Governmental Organisations*, The Foundation for Development Cooperation: Brisbane.
- › Puhazhendhi. V. (1995), *Transaction Costs of Lending to the Rural Poor-Non Governmental Organisation and Self-help Groups of the Poor as Intermediaries for Banks in India*, The Foundation for Development Cooperation: Brisbane.

Articles and Booklets

- › Conroy.J.D (2002), *Microfinance in Malaysia: time to rebuild*, The Foundation for Development Cooperation, Brisbane.
- › Goodwin-Groen.R (1998), *Key Issues for Profitable Commercial Bank Engagement in Microfinance*, The Foundation for Development Cooperation, Brisbane.
- › FDC (1993), *Access to Credit: Creating Income and Jobs for the World's Poor*, by the Foundation for Development Cooperation: Brisbane.
- › FDC (1995), *How to Build Self Help Groups for Successful Banking with the Poor (This booklet is available for both urban and rural models)*, The Foundation for Development Cooperation: Brisbane.
- › Mathison.S (Ed.), *Increasing Outreach and Sustainability of Microfinance through ICT Innovation*, The Foundation for Development Cooperation, Brisbane.
- › McGuire.P (1996), *Accounting and Reporting Standards for Microfinance Institutions*, The Foundation for Development Cooperation: Brisbane.
- › McGuire.P and Conroy.J.D (1996), *Bank-NGO Linkages and the Transaction Costs of Lending to the Poor through Groups: Evidence from India and the Philippines*, The Foundation for Development Cooperation: Brisbane.
- › McGuire.P and Conroy.J.D (1998), *Effects on Microfinance of the 1997-1998 Asian Financial Crisis*, The Foundation for Development Cooperation, Brisbane.
- › McGuire.P (1998), *Second Tier Microfinance Institutions in Asia*, The Foundation for Development Cooperation, Brisbane.
- › McGuire.P (1998), *Policy and Regulation for Sustainable Microfinance: Country Experiences in Asia*, The Foundation for Development Cooperation, Brisbane.

Papers

- › Mathison.S (2004), *Microfinance and Disaster Management*, paper published by the Foundation for Development Cooperation.
- › Abeywickrema.C (2006), *Remittances, Microfinance and Technology (2006)*, prepared by Chandula Abeywickrema of Hatton National Bank.
- › Ahmad.A (2006), *Policies & Regulations for Expanding e-banking to the Poor*, prepared by Ali Ahmad of the The First MicroFinanceBank Ltd, Pakistan.
- › Brata.A.G (2010), 'Financial Inclusion for Youth Entrepreneurs in the Creative Industry: a case of youth entrepreneurs in clothing industry in Yogyakarta, Indonesia' in *BWTP Network Bulletin, Dec 2010*, Banking With the Poor Network: Singapore.
- › Greener.P (2006), *Partnership Approach in Microfinance*, paper presented at Asia Microfinance Forum 2006, Beijing, China, 21 – 24 March, 2006.
- › Jimenez.E & Roman.P (2006), *Electronic Banking: Delivering Microfinance Services to the Poor in the Philippines*, paper prepared by Eduardo Jimenez and Pia Roman, Bangko Sentral ng Pilipinas.
- › Md. Abdul Awal (2006), *Financial Linkages in Bangladesh*, paper presented at Asia Microfinance Forum 2006, Beijing, China, 21 – 24 March, 2006.
- › Nafeer. I and & Nadeera Ranabahu. R.M (2010), 'Sri Lanka: Community-Based Organisations - Achieving a Double Bottom Line?' in *BWTP Network Bulletin, Oct 2010*, Banking With the Poor Network: Singapore.
- › Phan. N.C (2006), *Electronic Banking Services for the Poor in Vietnam*, paper prepared by Mr Nhan Cu Phan from the Vietnam Bank for Social Policies.
- › Rahman.W.R and Luo.J (2010), 'China: Comparing NGO-Type MFIs in Shaanxi, China, with Grameen Bank' in *BWTP Network Bulletin, Oct 2010*, Banking With the Poor Network: Singapore

Appendix Two – Selection of BWTP Network Activities 2010 – 1991

2010

- › Asia Microfinance Forum 2010, Colombo, Sri Lanka, 12 – 15 October;
- › Asia Network Summit 2010, Colombo, Sri Lanka, 11 – 12 October;
- › Release of Mekong region Industry Assessments series;
- › Launch of BWTP Network Bulletin;
- › BWTP Network Capacity Assessment.

2009

- › Microfinance and Disaster Management Workshop, Chengdu, China 9 – 13 March;
- › Asia Network Summit 2009, Singapore, 27 – 28 August;
- › BWTP Network Technical Exchange Workshop, Hyderabad, India, 27 – 30 July;
- › Release of Microfinance in Asia and Industry Assessment publications.

2008

- › Asia Microfinance Forum 2008, Hanoi, Vietnam, 12 – 15 October;
- › Publication of *Capacity Building for Partnerships in Microfinance Trainer's Manual*;
- › Linkages and Partnerships in Microfinance Symposium and Workshop Dhaka, Bangladesh, February 24th;
- › BWTP Network Capacity Assessment.

2007

- › 2007 -2010 Participation in the Citi Network Strengthening Project;
- › 2007 - 2009 Strengthening Microfinance in Asia Through Information Sharing and Capacity Building Project.

2006

- › Workshop: Strengthening Financial Linkages through Strategic Partnerships and Alliances;
- › Publication of *Microfinance and Disaster Management Trainer's Manual*;
- › Asia Microfinance Forum 2006, Beijing, China, 21 – 24 March.

2005

- › Capacity Building Program for Microfinance Institutions in Post-Tsunami Reconstruction;
- › The Pan Asia Forum On Capacity Building For Microfinance In Crisis Situations: Policies, Strategies and Actions for Microfinance Institutions Operating in Communities Impacted by Natural Disaster, Conflict or Civil Unrest, and HIV/AIDS, Colombo, Sri Lanka, 13 to 15 June.

2004 – 2005

- › Banking with the Poor in South Asia: Expanding The Asia Resource Centre for Microfinance through Cooperation and Peer Learning (Japan Foundation funded).

2003

- › Microfinance and Disaster Management Workshop, Hyderabad, India, September;
- › Banking with the Poor in South Asia: Building an Asia Resource Centre for Microfinance through Cooperation and Peer Learning Project.

2001

- › External Review of the BWTP Network.

2000

- › The Impact of Participation in a Microcredit Program on Poor Women: The Case of Clients of ASKI - Cabanatuan City: A Panel-Based Longitudinal Study (Part of the "Performance and Sustainability of Two Philippines Microfinance Institutions" Project).

1999

- › Bringing Banking with the Poor to Japan Project.

1998

- › Effects of Microfinance of the 1997-1998 Asian Financial Crisis;
- › Key Issues for Commercial Bank Engagement in Microfinance;
- › Publication of *Getting the Framework Right: Policy and Regulation for Microfinance and Asia*.

1997

- › Fourth Asia Pacific Regional Workshop on Banking with the Poor, Bangkok;
- › The Role of Commercial Banks in Microfinance Project.

1996

- › Inaugural meeting of the BWTP Network, Singapore from 8-10 July.
- › Bank-NGO Linkages and the Transaction Costs of Lending to the Poor Through Groups: Evidence from India and the Philippines
- › Review of BWTP Activities, and Suggestions for a Forward Program.

1995

- › *Best Practice of Banking with the Poor* (Report resulting from the Third Asia-Pacific Regional Workshop on Banking with the Poor - Brisbane, 1994)

1994

- › Third Asia-Pacific Regional Workshop on Banking with the Poor, Brisbane, September.

1993

- › BWTP convened multiple national microfinance workshops.

1992

- › Second Asia-Pacific Regional Workshop on Banking with the Poor, Kuala Lumpur, July.

1991 – 1992

- › Banking with the Poor Project.

1991

- › First Asia-Pacific Regional Workshop on Banking with the Poor, Manila, Philippines.

Appendix Three - Extract from the BWTP Network Constitution

The BWTP Network Vision

This vision of The Banking with the Poor Network is “to achieve greater financial inclusion in Asia.”

The BWTP Network Mission

The BWTP Network is committed to improving the quality of life of the poor through promoting and facilitating their access to sustainable financial services.

The BWTP Network will respond positively to the growing diversity of microfinance institutions, technologies and products insofar as these are capable of achieving greater financial inclusion of the poor on a sustainable basis.

The BWTP Network Objectives

The BWTP Network’s objectives are to:

Promote the financial inclusion of the poor in developing countries by improving their access to financial services;

Evaluate institutional models, technologies and products, including savings and payments instruments, credit and other financial services,

in terms of their conformity with appropriate best practice standards of microfinance service delivery and financial inclusiveness;

Provide BWTP Network members with access to information that increases their knowledge of appropriate best practice in microfinance service provision, capacity-building and technological upgrading for institutions engaged in banking with the poor;

Document and demonstrate the successes and lessons learned in microfinance provision achieved by BWTP Network members as a means of improving policy and practice in the field more generally;

Act as a representative of the national and regional microfinance sectors to inform the policies and practices of governments, financial and other regulatory authorities, financial sector institutions, NGOs and technical service providers and other stakeholders in the cause of sustainable microfinance and financial inclusion;

Encourage diversity in microfinance institutional models, technologies and financial products.

Endnotes

Chapter 1

- 1 The Foundation for Development Cooperation is an independent, not-for-profit international development organisation. Established in Brisbane, Australia, in 1990, the mandate of FDC calls for it to conduct policy-oriented research, foster public awareness, mobilise broader Australian and overseas development cooperation, and support non-governmental development efforts. Through partnerships and alliances, FDC undertakes a range of initiatives which seek to improve the lives of poor people in developing countries, foster innovative approaches to development, and connect policy work to self-help efforts at the grass roots level.

FDC's work includes economic development and assessment, policy analysis, grass-roots community-based initiatives, strategic research, partnerships and leverage, advocacy, consulting and advisory services, project design and implementation, secretariat and network management, and training and capacity building. FDC's headquarters is in Brisbane, Australia. FDC has an Asia regional office in Singapore and a Pacific regional office in Fiji.
- 2 A selected list of FDC/BWTP Network activities is provided in Appendix 2.
- 3 Thapa.G.B, Chalmers.J, Taylor.K.W, and Conroy.J.D (1992), *Banking With the Poor*, The Foundation for Development Cooperation: Brisbane.
- 4 The *Banking with the Poor* publication was identified by leading policy-makers as a significant leap forward in the discourse on financial services for the poor. In a letter to Foundation Chairman Dr Brian Scott, Australia's Minister for Trade and Overseas Development, John Kerin, described the book as a 'landmark report' which had made a 'significant contribution to our understanding in this area and to the development debate more generally'.

Idriss Jazairy, President of IFAD (the Rome-based International Fund for Agricultural Development) noted that [the book] '*brings together experience from a large number of countries ... I am sure it will be of immense help to the developing countries and to the development community of the world.*' From Ottawa, Marcel Massé, President of the Canadian International Development Agency applauded '*the sound analysis and insight of the case studies*' and commented that '*the report will be of great value to us and our partners.*'

Closer to the region, Sanusi Junid, Malaysian Minister for Agriculture, responded: '*I am really impressed with the facts and conclusions outlined by the report and I am certain many countries and agencies will strongly consider implementing the proposed programme.*' From ACFOA (the Australian Council for Overseas Aid) Executive Director, Russell Rollason, noted that '*... the study is a most significant inaugural contribution from the Foundation and I congratulate you on the excellent effort.*' Commercial bankers in the region also reacted positively. One note praised '*the commendable efforts of bringing together leading Asian banks and NGOs to share their experience for discussing ways and means to alleviate poverty.*', and added '*I would like to request that the Foundation and our bank should remain in close touch since I am sure that the research undertaken by you can be of great benefit...*'.

Senior Philippine government sources reported an enthusiastic reaction to *Banking with the Poor* from the Head of State, President Fidel Ramos. Addressing a national workshop for bankers in Manila, Mike Maquizo, Presidential Assistant for Poverty Alleviation, said the book had become '*our bible*', and a source of inspiration for the first ever Philippine National Congress of Peoples' Organisations, jointly sponsored by the Office of the President and 500 NGOs, in October 1992.

- 5 CIGAP was a relatively short-lived acronym, not to be confused with CGAP. The latter is a donor consultative group, established in Washington in 1995 as the 'Consultative Group to Assist the Poor'.

- 6 Puhazhendhi. V. (1995), *Transaction Costs of Lending to the Rural Poor-Non Governmental Organisation and Self-help Groups of the Poor as Intermediaries for Banks in India*, The Foundation for Development Cooperation: Brisbane.
- 7 Llanto.G.M and Chua.R (1996), *Transaction Costs of Lending to the Poor: A Case Study of Two Philippine Non-Governmental Organisations*, The Foundation for Development Cooperation: Brisbane.
- 8 McGuire.P and Conroy.J.D (1996), *Bank-NGO Linkages and the Transaction Costs of Lending to the Poor through Groups: Evidence from India and the Philippines*, The Foundation for Development Cooperation: Brisbane.
- 9 Conroy.J.D, Taylor.K.W and Thapa.G.B (1995), *Best Practice of Banking With the Poor*, The Foundation for Development Cooperation: Brisbane.
- 10 FDC (1995), *How to Build Self-Help Groups for Successful Banking with the Poor (A Rural Model)*, The Foundation for Development Cooperation: Brisbane.
- 11 Continuing the focus on the Mekong region, FDC led (and AusAID funded) a microenterprise development (MED) study tour to the Philippines and Bangladesh later in 1994. Four participants from each of Cambodia, Laos and Vietnam and one from China made up the team.
- 12 At the time these were Bangladesh, India, Indonesia, Malaysia, Nepal, Pakistan, Philippines, Sri Lanka and Thailand.
- 13 See, for example, Maria Pagura (ed) (2007), *Expanding the Frontier in Rural Finance: Financial Linkages and Strategic Alliances*, Practical Action Publishing for FAO.
- 14 Financial inclusion was recognised in changes made to the 2008 constitution. The discussion of those changes will be quite important, showing how the Network has changed focus and remained contemporary.
- 15 McGuire.P (1996), *Accounting and Reporting Standards for Microfinance Institutions*, The Foundation for Development Cooperation: Brisbane.
- 16 Indeed it was not until 2010, when AusAID published *Financial Services for the Poor: A strategy for the Australian Aid Program, 2010-2015*, that Australian assistance to the sector was conceived in any financial system framework.
- 17 This suggests that the expression *Banking with the Poor* had already become part of the microfinance lexicon. Certainly the Bank's adoption of the name post-dated its 1990 introduction by FDC Founder Bill Taylor by a number of years. See <http://go.worldbank.org/HH8S2Y14H0>
- 18 Published the following year as *The Microfinance Handbook* (Joanna Ledgerwood, Washington, D.C.: World Bank, 1998)
- 19 McGuire.P, Conroy.J.D and Thapa.G.B. (1998), *Getting the Framework Right: Policy and Regulation for Microfinance in Asia*, The Foundation for Development Cooperation: Brisbane. The publication is still available online at <http://www.bwtp.org/book2>.
- 20 Published as: Goodwin-Groen.R (1998), *The Role of Commercial Banks in Microfinance*, The Foundation for Development Cooperation: Brisbane.
- 21 Network countries were Bangladesh, India, Indonesia, Nepal, Pakistan, Philippines and Sri Lanka. In addition ADB specified People's Republic of China, Kyrgyz Republic, Papua New Guinea, Vanuatu and Vietnam.
- 22 The work was carried out with the collaboration of BWTP Network institutions in each of the countries. Paul McGuire and John Conroy were the authors of the first volume, while the country studies, prepared by a number of microfinance specialists, were edited by John Conroy and Robyn Cornford. See http://www.adb.org/Documents/Books/Central_Banks_Microfinance/Overview/default.asp and http://www.adb.org/Documents/Books/Central_Banks_Microfinance/Country_Studies/default.asp

Chapter 2

- 24 BWTP Representatives were Executive Committee chair Mr Bambang Ismawan of Bina Swadaya (Indonesia) Dr Humaira Islam of Shakti Foundation (Bangladesh), Ms Vijayalakshmi Das of FWWB (India) and Mr Dharmawanse Wijesundera of Hatton National Bank (Sri Lanka) in addition to Dr John Conroy.
- 25 McGuire.P and Conroy.J.D (2002), 'The Microfinance Phenomenon', in *Asia-Pacific Review*, vol 7 issue 1, Routledge: Tokyo.

Chapter 3

- 26 MixMarket data for 2009 in East Asia and the Pacific and South Asia. These numbers represent the 571 institutions from that region reporting.
- 27 Jonathan Morduch coined the term 'microfinance schism' in 2000 to describe the tension between the financial and developmental aspects of the microfinance debate (Morduch.J , (2000), 'The Microfinance Schism', *World Development*, 28 (4), pp.617-629). The developmental and financial frameworks have been articulated respectively as the 'poverty' or welfarist approach targeting the very poor and the 'sustainability' or institutionalist approach that targets the less-poor on the margins. Effectively, the poverty approach assumes that higher net gain per client swamps the negative effects on length of low profits and donations, while the sustainability approach emphasises the converse. Each position differs in its views on several key issues such as how microfinance services should be delivered, on the technology that should be used ('minimalist' approaches versus an 'integrated' service approach), the kinds of products that should be offered, the extent of donor intervention (for example in interest rate setting) and on how MFI performance should be assessed (financial measures or social impact).
- 28 BWTP Network Executive Committee members elected in 2004 were:
- › Mr Chandula Abeywickrema, Deputy General Manager – Personal Banking, Hatton National Bank, Sri Lanka;
 - › Mr Ruben de Lara, Executive Director, Philippines;

- › Mr Aloysius P. Fernandez, Executive Director, MYRADA, India;
 - › Mr. Bambang Ismawan, Chairman, Bina Swadaya, Indonesia;
 - › Mr. Alberto Reyes, Deputy Governor, Bangko Sentral ng Pilipinas (Central Bank of the Philippines), Philippines;
 - › Mr. D. Wijesundera, General Manager, SANASA Development Bank, Sri Lanka;
 - › Ms. Beris Gwynne, Executive Director, The Foundation for Development Cooperation, Australia.
- 29 Examples of FDC's work during this period included:
- › ASEAN Roundtable 2001: In light of the 1997 Asian financial crisis and the setback of growth and development in the region, the 2001 ASEAN roundtable discussions focused on issues concerning the development of the financial sector. The 2001 ASEAN roundtable recognised the need to develop new financing mechanisms (including Microfinance Institutions) while managing the process of liberalisation better. There was also a consensus on the need to evaluate how effective microfinance is in making credit available to a wider spectrum of people.
 - › Conroy.J.D (2002) *The Financial Exclusion of Microenterprises and Households: policies, institutions and mechanisms for improvement in the APEC economies*, John D Conroy Special Consultant, The Foundation for Development Cooperation, The APEC High Level Meeting on Microenterprise Guanajuato, Mexico, August 2002.
 - › Conroy. J.D (2002) *Relevance of Microbanking*. Prepared for the 2002 APEC Economic Committee Symposium on Microbanking Development, Regulation and Supervision in the Asia-Pacific Region Mexico City, 25-26 July 2002.
 - › Two workshops for Consolidating Microfinance Practices in Asia-Pacific (COMPAS): Microfinance & Disaster Management and HIV/AIDS, India 2003 and Thailand 2004.

- › Conroy, J.D (2003), *The Challenges of Microfinancing in Southeast Asia*. (First produced for discussion at the ASEAN Roundtable 2001) “The Challenges of Financing for Developing Economies in Asia” – This paper examines the circumstances of seven ASEAN countries in which institutional microfinance had developed to some significant degree. These studies showed that financial liberalisation supports the development of effective microfinancing mechanisms and institutions. The paper suggested the need for intervention at the system level, to assure an appropriate policy and regulatory environment for sustainable microfinance to flourish.
 - › 2003-2004: FDC undertook an informal economy research project for APEC and ASEAN to define best practice in ‘quasi-regulatory’ frameworks at the interface between the formal and informal sectors to support ‘informal sector’ entrepreneurship; also scoping of a research program into the ‘remittances’ phenomenon (cash and in-kind transfers sent home by national and international migrant workers) along with study of the potential for information and communication technology to increase the proportion of remittances captured for development purposes through microfinance.
- 30 Mathison, S. (2004), *Microfinance and Disaster Management*, paper published by the Foundation for Development Cooperation.
- 31 Mathison, S. (Ed.), (2006), *Microfinance and Disaster Management Trainer’s Manual: The Foundation for Development Cooperation*: Brisbane. The full curriculum and 7 research briefs prepared as part of the project are available for free online at: www.bwtp.org/arcm/mfdm/.
- 32 Mathison, S. (Ed.), *Increasing Outreach and Sustainability of Microfinance through ICT Innovation*, The Foundation for Development Cooperation, Brisbane; *Remittances, Microfinance and Technology* (2006), paper prepared by Chandula Abeywickrema of Hatton National Bank; *Policies & Regulations for Expanding e-banking to the Poor* (2006), paper prepared by Ali Ahmad, of the The First MicroFinanceBank Ltd, Pakistan.
- 33 *Electronic Banking Services for the Poor in Vietnam*, paper prepared by Mr Nhan Cu Phan from the Vietnam Bank for Social Policies, *Electronic Banking: Delivering Microfinance Services to the Poor in the Philippines*, paper prepared by Eduardo Jimenez and Pia Roman, Bangko Sentral ng Pilipinas.
- 34 The Citi Foundation-funded project - ‘Strengthening Microfinance in Asia project: Partnerships and innovation to increase the impact of microfinance in Asia’ - funded not only the Asia Microfinance Forum 2006, but was also aimed at strengthening the Asia Resource Centre for Microfinance through the production of further country reports, Action research studies (including papers on Linkages and innovative partnerships in Microfinance; Increasing Outreach and Sustainability of Microfinance through ICT Innovation; and Policies and Regulations to expand Electronic Banking for the Poor.

Chapter 4

- 35 A complete and up-to-date list of the BWTP Network membership can be found at: www.bwtp.org/membership.html. The countries represented in the BWTP Network at the time of writing are: Australia, Bangladesh, Cambodia, India, Indonesia, Lao PDR, Nepal, Pakistan, Philippines, Sri Lanka and Vietnam.
- 36 The ‘Strengthening Microfinance in Asia Through Information Sharing and Capacity Building’ project was a two year Citi Foundation-funded initiative which included funding for: The Asia Microfinance Forum 2008; the development of the Capacity Building for Partnerships in Microfinance Trainer’s Manual; Dissemination and workshops for these and the Microfinance and Disaster Management materials; a Technical Exchange Program; and Advocacy and Communication. The objective of this project was to support the development of a vibrant, dynamic, and sustainable microfinance industry in Asia. This was achieved through the strengthening of microfinance institutions to enable broader outreach, improved efficiency and greater sustainability; by encouraging learning partnerships among microfinance stakeholders

- in Asia, using the Banking with the Poor Network as a vehicle; and by raising the profile of best practice in microfinance and that of successful micro-entrepreneurs.
- 37 Greener.P (2006), 'Partnership Approach in Microfinance'; Md. Abdul Awal (2006), 'Financial Linkages in Bangladesh' paper presented at Asia Microfinance Forum 2006, Beijing, China, 21 – 24 March, 2006.
- 38 Bedson.J (Ed.), 2008, *Capacity Building for Partnerships in Microfinance Trainer's Manual*, The Foundation for Development Cooperation: Brisbane. The trainer's manual is free to download at the BWTP Network website at: www.bwtp.org/capacity-building-for-partnerships-in-microfinance.html.
- 39 Diaz.L & Hansen.L, (2008), *Microfinance Industry Report: Vietnam*, The Foundation for Development Cooperation: Brisbane.
- 40 The Executive Committee from 2008 – 2010 was:
- › Mr. Chandula Abeywickrema, (Chairman) Deputy General Manager - Personal Banking, Hatton National Bank, Sri Lanka.
 - › Mr. Ruben C. de Lara, Executive Director, TSPI Development Corporation, Philippines.
 - › Mr. Nimal Mamaduwa, General Manager and CEO, SANASA Development Bank, Sri Lanka.
 - › Mrs. Syeda Obaida Haque, Director, Program, The Shakti Foundation for Disadvantaged Women, Bangladesh.
 - › Md. Abdul Awal, Executive Director, the Credit and Development Forum, Bangladesh.
 - › Mr Craig Wilson, Executive Director, The Foundation for Development Cooperation.
- 41 Bedson.J (Ed.) (2009), *Microfinance in Asia: Trends, Challenges and Opportunities*, The Foundation for Development Cooperation and the Banking With the Poor Network: Brisbane.
- 42 National networks participating in the Asia Network Summit process are:
- › Cambodia Microfinance Association;
 - › Vietnam Microfinance Working Group;
 - › Afghanistan Microfinance Association;
 - › South Asian Microfinance Network;
 - › Pakistan Microfinance Network;
 - › Credit and Development Forum Bangladesh;
 - › Lao Microfinance Working Group;
 - › Centre for Microfinance Nepal;
 - › China Association of Microfinance;
 - › Microfinance Council of the Philippines, Inc;
 - › Indonesia Microfinance Association;
 - › Lanka Micro Finance Practitioners' Association;
 - › Sa-Dhan India.
- 43 The BWTP Network YouTube page is accessible via the BWTP website at www.bwtp.org.
- 44 Microfinance Industry Reports (all published by The Foundation for Development Cooperation: Brisbane)
- CDF (2009), *Microfinance Industry Report: Bangladesh*;
- Fernando. R (2009) *Microfinance Industry Report: Sri Lanka* (co-published with GTZ Sri Lanka);
- Purnama. F (2009), *Microfinance Industry Report: Indonesia*;
- RMDC (2009), *Microfinance Industry Report: Nepal*.
- 45 Mekong Country Reports (all published by The Foundation for Development Cooperation: Brisbane)
- Hogenhout. T (2010), *Microfinance Industry Report: Laos PDR*;
- Setboonsarng.T (2010), *Microfinance Industry Report: Thailand*;
- Vincent.S (2010), *Microfinance Industry Report: Myanmar* (co-published with ACTED).
- 46 Microfinance Industry Updates (all published by The Foundation for Development Cooperation: Brisbane)
- CMA (2010), *Microfinance in Cambodia*, BWTP Network Industry Update;
- Day.M (2010), *Microfinance in Timor-Leste (East Timor)*, BWTP Network Industry Update.

47 BWTP Network Bulletins published as on January 2011:

- › Brata.A.G (2010), 'Financial Inclusion for Youth Entrepreneurs in the Creative Industry: a case of youth entrepreneurs in clothing industry in Yogyakarta, Indonesia' in *BWTP Network Bulletin, Dec 2010*, Banking With the Poor Network: Singapore.
- › Nafeer. I and & Nadeera Ranabahu. R.M (2010), 'Sri Lanka: Community-Based Organisations - Achieving a Double Bottom Line?' in *BWTP Network Bulletin, Oct 2010*, Banking With the Poor Network: Singapore.
- › Rahman.W.R and Luo.J (2010), 'China: Comparing NGO-Type MFIs in Shaanxi, China, with Grameen Bank' in *BWTP Network Bulletin, Oct 2010*, Banking With the Poor Network: Singapore

48 Microfinance Focus was asked to provide a live blog of the AMF 2010 and provide summaries of sessions for delegates and an international audience. A full description of every session, debate and conference photographs is available at: www.microfinancefocus.com/liveblog/category/asia_microfinance_forum_2010/.

49 A poll of 144 AMF 2010 delegates found the following :

Is the increase in commercial capital a positive trend in the Asian microfinance sector?

- › Yes (75%), Can't Say 15%, No (10%).

Are governments sufficiently engaged with the microfinance sector in creating enabling environments?

- › No (57%), Yes (23%), Can't Say (10%).

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