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1818 H Street NW

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President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Materials
Micro-Credit Summit - June 12, 1997

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WBG Archives

Lunch: Micro-Credit in Honor of
Heads of State, Dignitaries, Heads of UN
Agencies & Int'l Financial Institutions

Tuesday, February 4, 1997
12:00 - 1:30 p.m.
Virginia Room, Sheraton Washington Hotel

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111

Archive Management for the President's Office

Document Log

Reference # : Archive-01478

Edit

Print

A. CLASSIFICATION

☒ Meeting Material
☐ Trips
☐ Speeches

☐ Annual Meetings
☐ Corporate Management
☐ Communications with Staff

☐ Phone Logs
☐ Calendar
☐ Press Clippings/Photos

☐ JDW Transcripts
☐ Social Events
☐ Other

B. SUBJECT: MICROCREDIT SUMMIT (ALL-DAY) VENUE: SHERATON WASHINGTON HOTEL // OFFICE ROOM NUMBER: 8224, PARK TOWER, SHERATON // TELEPHONE: 328-2000 EXT. 5934 // FAX: 328-2190 // EXC: HANY/CAROLINE // ALI (2/3)

LUNCH: MICRO-CREDIT // IN HONOR OF: HEADS OF STATES, DIGNITARIES, HEADS OF UN AGENCIES & INTERNATIONAL FINANCIAL INSTITUTIONS (B) VENUE: VIRGINIA ROOM (LOBBY LEVEL) , SHERATON WASHINGTON HOTEL HANDLING ARRANGEMENTS: EVELING BERMUDEZ // EXC: HANY // ALI (2/3)

CLOSING PLENARY: MICRO-CREDIT SUMMIT (B) // VENUE: SHERATON BALLROOM // SHERATON WASHINGTON HOTEL // HANDLING ARRANGEMENTS: EVELING BERMUDEZ // (B) TALKING POINTS: CAROLINE ANSTEY // EXC: HANY // ALI (2/3)

Brief Includes:

---Lunch cover note from Eveling Bermudez
---Talking Points: Overall Message
---Mali: Background Information
---Mali: Basic Facts and Figures
---Uganda: Background Information
---Uganda: Basic Facts & Figures
---Senator Rino Serri, Italy
---Information on IFC projects in Microfinance
---US Government statement on Microenterprise Development and Microfinance
---Press Article from "The Indian Express" - Man Messiah - Veena Kapur meets Malcolm Printer, the man who is out to eradicate hunger by spreading the word of love. (handed to JDW at the Microcredit Summit).

DATE: 06/12/97

C. VPU

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A L L - I N - 1 N O T E

DATE: 22-Jan-1997 10:42am EST

TO: See Distribution Below

FROM: Gerard Caprio, PRDFP

(GERARD CAPRIO@A1@WBHQB)

EXT.: 37658

SUBJECT: Micro credit

David,

I was asked by Masood to review a paper on micro credit for this upcoming summit, and am copying it to you in case it bears on your other request. There is certainly not enough here for speech material, but I hope it inspires proper respect for how potentially dangerous some of the summit ideas are, in particular those seeking to pump external dollars into these schemes.

Jerry

DISTRIBUTION:

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(MARTIN RAVALLION@A1@WBHQB)
(MARY SHIRLEY@A1@WBHQB)

A L L - I N - 1 N O T E

DATE: 21-Jan-1997 07:55pm EST

TO: Masood Ahmed - IEC DR (MASOOD AHMED@A1@WBHQ B)

FROM: Gerard Caprio, PRDFP (GERARD CAPRIO@A1@WBHQ B)

EXT.: 37658

SUBJECT: Micro credit

Masood,

I looked at the micro credit paper and would only make a few points. First, this is essentially a political/religious document. Para 8.5 is filled with beliefs; it would be more inspiring if it were filled with assertions backed by research demonstrating what we know. True, there has been some research, such as that done by Joe Stiglitz, suggesting that peer monitoring, part of many micro credit schemes, induces good behavior and high repayment rates. It does not follow from this that it makes sense to try to pump external funds through micro-credit organizations, as blowing up their balance sheets many destroy the incentive mechanisms that make them work.

Second, a review of small savings bank and credit cooperatives in industrial economies in the eighteenth and nineteenth centuries shows that incentives do matter. When local funds were at stake, and when owners had extended liability, these organizations tended to be viewed as successes. Again, this argues for not pumping in significant external funds for intermediation. Small groups are very careful about their own funds; there is no reason to hope that they will be as careful about external funds.

Third, even though it may be a clear mistake to intermediate through these institutions, providing TA and training may make sense. However, whether the Bank or other organizations should devote resources to increasing training for the benefit of these institutions depends on research that does not exist as far as I know. Are poor countries better off getting an added dollar of funds for micro credit or for education? I have never seen this analyzed. You may wish to check with Martin Ravallion, but I know of no such efforts.

Jerry

MICROCREDIT SUMMIT

Tuesday 4th February

DRAFT AGENDA

(Prepared by ESDVP)

Lunch: 12:00pm Virginia Room (lobby level)

Lunch in honor of heads of state, other dignitaries, heads of UN agencies and international financial institutions. A list of the VIP invited to the lunch was attached to Mr. Wolfensohn's briefing. In addition, we have extended invitations to about 200 people, including Ambassadors, practitioners, and representatives from non-governmental organizations, commercial banks, foundations, and universities. RSVPs are still coming.

There will not be a headtable. Instead, there will be round tables of 8-10 people. It is not clear yet who will be seating at Mr. Wolfensohn's table (as you know letters were just sent a couple of days ago). As far as I know the Queen of Belgium, Queen of Spain, Konare, Museveni are coming and are expected to seat at his table. We should have a tentative list as early as Monday noon.

1:30-3:00 Closing Plenary, The Sheraton Ballroom

Ismail Serageldin will accompany Mr. Wolfensohn to the room.

Below is the latest proposed sequence of speakers.

Introductions by: Sam Daley-Harris

Speakers: John Hatch, Founder, FINCA International

Dr. A. El-Bindari Hammad, Executive

Administrator for Health Policy in Development,
World Health Organization

Dr. Winfried Pinger, Member of Parliament, Germany

Mr. Enrique Iglesias, President, Inter-American
Development Bank

Mr. James Gustave Speth, Administrator, UNDP

Mr. James D. Wolfensohn, President, World Bank

Communique from Heads of State and Government:

H.E. Sheikh Hasina, Prime Minister of Bangladesh

3:00-4:00 Brief One-to-One Press Interviews

At EXT's suggestion, there will not be a Press Conference. They are scheduling one-to-one interviews with various press/media. So far I know of only one, CNN scheduled at 3:15. When the schedule is final they will notify me and your office. Klas Bergman's team is doing a great job.

4:30-5:15 Meeting with Prime Minister of Bangladesh, Suite #6300, Wardman Tower.

A. SRINIVAS



ⓕ
Gwen to JDU @
Microcredit

Printer launched on this work in 1990, by encouraging artisans to make handicrafts. Presently, much of his energy is devoted to work in 81 villages in India. The artisans make handicrafts that are ethnic to that region. "But this is not enough. It is only a drop in the ocean."

Swadeshi is now creating new products like hand crochet shoes, hand-made paper stationery or bamboo cane handicrafts which have wider appeal and are easier to make. Besides, we also want to set banks for the hungry to create financial discipline so that they can save money, however small an amount, on a regular basis and thereby learn its value. Besides, against the amounts saved they can procure loans, by virtue of

which they become self-employed, using any of the skills of their choice. "Experiments such as this have worked extremely well in the case of Grameen Bank of Bangladesh and SEWA of Ahmedabad," says he.

Swadeshi will further create a corpus in the future, where a sum of money will be deposited in a bank and interest used to provide venture capital to entrepreneurs who have projects which can be implemented in a village. Other plans include creating a cross cultural exchange of handicrafts and other crafts among hungry nations like India, Pakistan, Afghanistan, Bangladesh, Nepal, Iran and others.

"For example, there is a husband-wife team in Africa, who want to work with Swadeshi in Nigeria and then move across the continent. Production from one country can go to other third world countries which will give a better marketing reach," explains Printer.

"Coupled with this, in a small way, international products are being identified and groups of people from countries like Pakistan and Bangladesh being formed, who will work with Swadeshi in the future. They can further form trusts similar to ours." And help spread the word of love.

Man Messiah

Veena Kapur meets Malcolm Printer, the man who is out to eradicate hunger by spreading the word of love

AMERICA COULDN'T hold this starry-eyed Mumbaite. For his eyes held a distant dream, something that he was to realise much later in his life.

Like any aspiring careerist, Malcolm Printer started his adult life training to become a marine engineer first, and then a mechanical engineer. After seeking a masters in mechanical engineering, he was spurred by the prospect of research oriented study. He did his PhD in Artificial Intelligence (AI) from the University of Massachusetts.

While in this field he was called upon to write programmes that would help design complex mechanical engineering devices like heat exchangers, V belts, gear boxes etc, on computers.

While here, he was intellectually stimulated and monetarily rewarded, he was not really happy. One day he sat up to exam-

ine his problem, and discovered that he was not doing what he really liked to do, only all that which was expected of him. On examining this deeply he found that what he really wanted to do was to make others happy. In order to do this, he wanted to reach out to issues which, though adversely affected the maximum number of human beings, no single-minded successful effort had ever been carried out to remove them. The question here was that of human hunger, which was killing 35,000 human beings each day. Of these 35,000, 24,000 were children, who died even before they reached the age of five. Again, of the total number, 21,000 were Indians who died every day, which means 18 children die every minute, according to statistics taken from the United Nations Global Hunger Project.

This hunger is not that of famine, but one that is caused by

mal-nutrition. One responds to famine immediately because it attracts media attention. "Chronic hunger is a silent killer and does not occur within our sight. But by virtue of the fact that it is the single largest killer known to humanity it must be stopped," says Printer. "And it can be stopped. What is required is the individual will to make this happen."

Once Printer discovered these facts he brought his PhD programme to a screeching halt. Says he, "before returning I completed all my research obligations which included working on projects that carried out photography from outer space, a couple of robotic assignments and another in office automation.

"These efforts today are reflected in some of the US-based missions to Mars, automatic launch vehicle, Star Wars and an Olivetti computer project. I educated myself on the issue of hunger and visited villages where hunger persists and got a chance to see it as it exists, first hand. I discovered the reality of hunger."

"The hungry eat twice a day but their diet consists of broken rice leftovers called Kanni, if they

are lucky they have a chilli along with it. They do have tea but without sugar or milk. For the most part, this is their only source of nutrition.

As a result of this, most of them suffer from weakened bone marrow because no red blood cells are being formed. The result is that an average malnourished man dies by the age of 37, a woman at 34 and a child before two. The infant mortality rate in India is about 130."

The amount of wheat which is used to feed the cattle in the US would be enough to feed the entire population of the world three times over.

To end hunger it is clear we have enough food, enough money and enough resources. What then is missing? Enough job opportunities for the hungry. And Printer's vision was crystallised in Swadeshi, the company that helps to provide for the underprivileged.

"The hungry require jobs like you and I do which will allow them to work. This in turn will allow them to end their own hunger with dignity and not charity," he says.

A Crusade To Eliminate Hunger

By Ritu Yadav

NEW YORK: United Nations statistics tell us over 35,000 human beings die of hunger every day and, shamefully, the majority of these people, about 21,000, die in India alone.

While many Indians may sympathize at the human misery these figures represent, one Mumbai-based organization, Swadeshi Exports, is busy implementing an ambitious program to end chronic hunger by the year 2015 A.D.

Founded by Malcolm Printer, a 37-year-old Mumbai native, Swadeshi Exports markets handmade goods from India's poorest and most hunger infested villages in largely Western countries; thereby giving the hungry a steady income to meet their basic needs.

"Hunger can be removed, it can be eradicated, provided job opportunities are given to the hungry," said Printer.

The idea of Swadeshi Exports formed in Printer's mind during his student days in the United States. He was working on obtaining his Ph.D. thesis in Artificial Intelligence at the prestigious University of Massachusetts when he began to be dissatisfied with his chosen career path.

Says Printer: "When I examined how much impact my Ph.D. thesis will have on humanity I found that it would make for still more progress for America for sure. But for countries that are desperately poor, like my own India, it will not make much of a difference."

After hours of research in the library Printer found his life mission: He would dedicate his life to eradicating hunger from India. Giving up his Ph.D. candidature and the promise of a secure prosperous life in the US, he returned to India in the summer of 1988 armed only with an idea and his personal zeal.

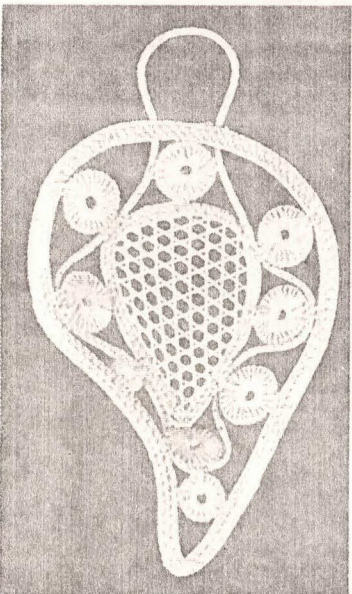
He founded Swadeshi Exports which now runs with four workers and a team of volunteers to eradicate hunger from India's villages.

His focus and dedication to his mission is evident even today. In a somber tone Printer relates the condition of India's poor:

"Typically such a person lives on a diet of broken rice which we (in the US) throw away with some



Founder of Swadeshi Exports Malcolm Printer



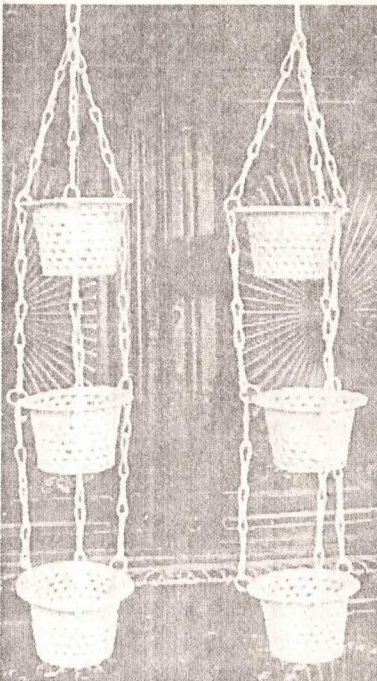
salt and sometimes with a chili. Even the tea they drink is without milk."

As a result the calorie intake of the poor in India is too low to meet their daily requirements. In addition to this, their limited diet leads to malnutrition and an early death often from common-place diseases a well fed person is able to fend off.

But says Printer the solution to this age old problem is not charity but more sustainable efforts which provide a steady long-term income to the hungry. Nor can industrialization reach the poor of India's far flung villages in the near future.

The solution, claims the Mumbai native, lies in development of the skills already possessed by the Indian villager. Traditional handicrafts produced by the poor are inexpensive, environmentally friendly and widely appreciated in the West.

While such goods are already marketed abroad, the margins of the middlemen ensure the poor get very little of the benefits. This is



where Swadeshi Exports steps in.

The organization goes directly to villages where people are starving and either buys marketable goods already being produced or trains the poor to manufacture goods the group has designed, while ensuring at Rs. 40 daily income to those who produce the goods.

"I go to these villages and find out what these products are. See if there is a market for them ... test market (them) in places like Bombay and then move on to abroad."

Swadeshi Exports, soon to be renamed One India trust, exports a wide range of products starting from handmade paper products and moving on to bamboo, palm leaf and cloth products such as bags, baskets, cards, clothes and shoes.

Printer estimates the organization has helped about 400 families, eradicating hunger from at least 6400 lives in 90 villages located in almost every state of the union. His group of four workers and a team of dedicated volunteers is looking to expand further in India and abroad as well as increase its range of services to include banking.

But to spread the reach of the organization and increase the number of people it helps requires greater demand for the products it sells. Printer is currently in the US, courtesy of Air-India, looking for more distributors, more volunteers and space for offices and a showroom.

South Indian Concert A Success

NEW YORK: A galaxy of South Indian singing greats collected at a New York City auditorium to sing songs from old "hit" films in Malayalee and Hindi.

Among the famous playback singers were P. Leela, known as the "nightingale of South India," K.P. Udayabhanu, Kallara Gopan and Leela Joseph, who brought he house down singing from such famous films as Jaranyaniyam and Kanni Jivavath.

While originally some 25 hit songs were to be sung by the performers, 32 songs were actually sung when the interval was canceled at the demand of the enthu-

siastic audience.

The concert, sponsored by the Kerala Center, was the brainchild of K. P. Udayabhanu who received inspiration for the event after at-

Hindi Writer Hospitalized

NEW YORK: Rameshwar Ashaant, a noted Hindi novelist and founding President of the Vishwa Hindi Samiti, has undergone successful open heart surgery on Aug. 22.

Samiti members held several prayers for his successful operation and a long life.

Ashaant has returned home to

tending a concert organized by Noor Jehan and Ashok Kumar several years ago. The organizers said they hoped to take the concert on a national tour of the US and Canada.

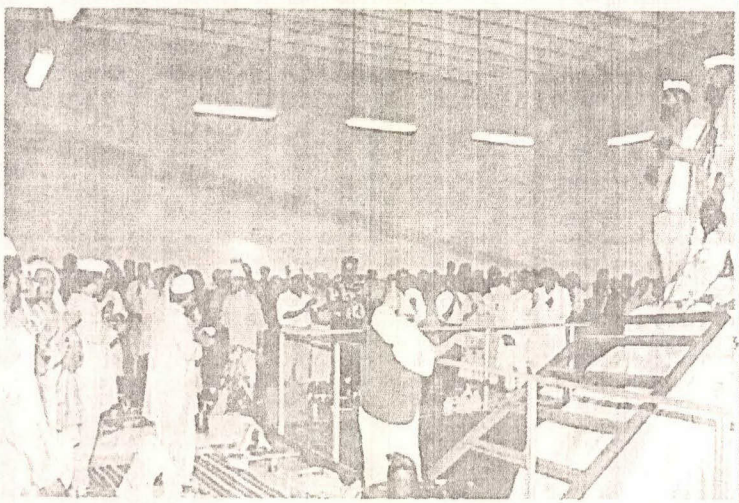
recuperate from the triple artery bypass under the care of New York cardiologist Brij Mittal.

NEWS INDIA-TIMES
Ahead Of The Rest

Pran Pratishtha Ceremonies In Long Island

NEW YORK: Thousands attended the Pran Pratishtha ceremony of Lord Shiva on Kailash

Also, 300 of the 1,008 Hanuman Vighrahas were sponsored and installed at the site. It



GuruMaa performing aarati at the Pran Pratishtha ceremonies

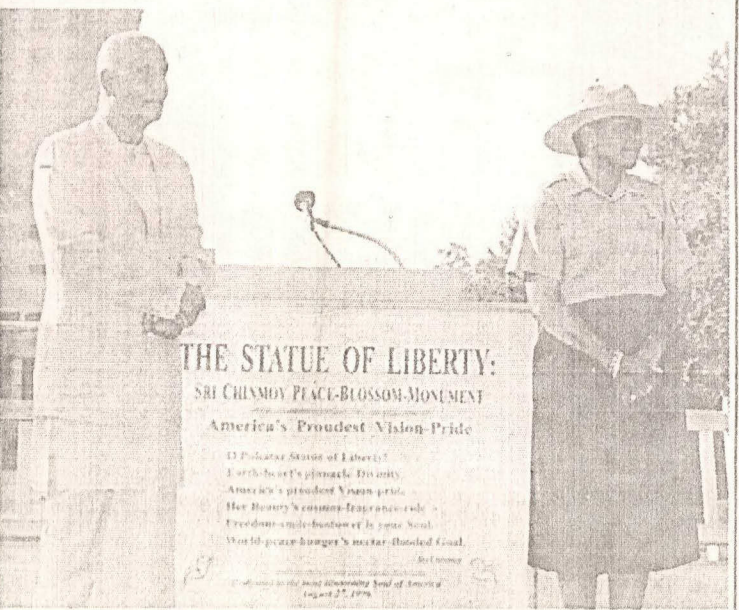
temple and 1,008 Hanuman murtis. The ceremonies were conducted according to vedic rituals, and was conducted by pandits from India under the direction of Her Holiness Maha Mandleshwar GuruMaa Jyotishanand Saraswati.

Water from the holy rivers of India, including Ganges, will now flow continuously from Shiva's head onto the Kailash mountain. Devotees can now go to the temple to get the holy water.

was a very positive experience with hundreds performing pooja and yagna, a Maha Aarati of 1,100 lamps was performed. Maha Bhog of 36 food specialties was served and classical music was performed by Sangeet Martand Pandit Jasraj.

Further on Nov. 2, there will be free Kavi Sammelan beginning at 8:00 p.m. Five prominent poets from India will be performing at the temple hall in Hempstead.

Liberty Statue Part Of Sri Chinmoy Program



Sri Chinmoy attending the Statue of Liberty dedication ceremony.

NEW YORK: On his 65th birthday peace activist Sri Chinmoy attended a dedication ceremony of the Statue of Liberty, as a Peace-Blossom-Monument, in New York City's harbor on Aug. 27.

With the dedication the Statue of Liberty joins nearly 1000 significant world landmarks as part of the Sri Chinmoy Peace-Blossom program.

HSS Creates History

NEW YORK: More than 600 Hindus, Sikhs, Jains and Buddhists participated in the India Day Parade Aug. 18, under the banner of Hindu Swayamsevak Sangh. The annual event was organized by Federation of Indian Association, an umbrella organization of more than 50 Indian outfits.

The participants carried placards and pictures of saints and warriors of India like Guru Nanak Dev, Guru Gobind Singh, Chhatrapathi Shivaji, Subhash Chandra Bose, Baba Saheb

Ambedkar.

The parade was watched by about 100,000 Indians living in the tristate area of New York, New Jersey and Connecticut.

The float of HSS carried the message of Hindu Unity, played patriotic, enthralling and captivating songs.

The HSS created a history in New York City by organizing such a massive rally in which more than 70 percent of the participants were second generation born and raised in US.

CITY

A Ray Of Hope For The Hungry

One man's struggle to eradicate hunger

By Manuwant Chaudhury

"The Hunger Project—Ending world hunger by 2015 A.D."

THE above slogan is not given by any government but a small organisation called *Swadeshi Exports*. As of today, some 80 villages all over India, each having 60 families, have gained by its project and no longer sleep with an empty stomach. And when *Swadeshi Exports* goes global, it will be rechristened: 'One'.

Did you know that everyday 35,000 people in the world die due to hunger? Of this, 22,000 people die in India alone, two-thirds of whom are children below the age of five. This is despite the fact that our food production has been maximum. Our granaries are so full that we are forced to export our foodgrains.

What can an individual do to prevent these deaths caused by starvation? When most citizens are still unmindful of the problem, some get over their guilt by doing a little charity. There are only a few people who have given up their professions and the mindless pursuit of wealth in order to help solve a basic problem such as hunger.

One such person is Malcolm R. Printer. Having completed his schooling at the Sacred Hearts, Santa Cruz, and his undergraduate studies in mechanical and marine engineering, Malcolm left for the United States of America for higher studies. A computer scientist and management consultant by qualification, Malcolm decided to return to India and work towards a world where nobody would die due to hunger.

What made him take up such a challenge? "Ever since I was five, I felt that there was too much suffering in the world, that I was responsible for it and that I could do something to alleviate at least some of the suffering. When I was doing my Ph.D in artificial intelligence in the USA, I knew that my academic qualifications would get me monetary benefits but at a deeper level, I felt an emptiness. I was not happy. While I was making intelligent machines, people who were naturally intelligent were dying. So I returned to India in 1988 and started *Swadeshi*

Exports as a proprietary concern in 1991."

"I realised that what the world lacked was not food or money, but opportunity. And this is what I made my aim. According to a United Nations study, almost every state in India, with the exceptions of Goa and Kerala, have deaths due to hunger.

But what exactly is hunger? Strange question. But many like us do not really know. We may feel 'hungry', but that is not hunger. The hungry

ne to deaths due to hunger. An area which has drought or even famine does not necessarily mean that it has hunger. In India hunger is said to be the major reason for a man to die by the age of 36 and a child by the age of five."

But how does one identify a village requiring attention? "We identify villages where the infant mortality rate (IMR) is greater than 50. The IMR is the number of deaths per 1000 births for infants and is used as a measure of existence of hunger by the United Nations. Thus, hunger is said to have

time for despatch."

Then there were the flutes. "These flutes are truly a national effort. We bring the flutes from Tripura and the North-eastern states. The painting on it is done at Dahanu, Thane district. The handmade cloth-case is from Gujarat, rope is from Punjab, while the paper is from Rajasthan." And can you guess its price? Just Rs. 40. There was also a semi-circular bamboo fan for only Rs. 12, besides hand made paper, dry flower decorations, handwoven cloth and other gift items.

But how does *Swadeshi* ensure that the products are actually being made by the needy and not by those who already have enough? Replies Malcolm, "You see these palm baskets. We get them from two districts in Tamil Nadu. In one district people are ready to make these baskets for us for Rs. 20 per day while in another, for Rs. 7 per day. The quality is identical. Our aim is to give them both a better deal, say Rs. 25 or Rs. 30 per day."

In Maharashtra, *Swadeshi* is working in 14 villages, four villages each in Thane, Satara and Pune and the rest in other districts. "Villagers do not understand that we are here to help and suspect that we could be exploiting them like other agencies. Our sole objective is to buy their products and sell them in India or abroad. We avoid middlemen. Our products are hence cheaper even by Indian standards. We do make a small profit but that is only meant to sustain our activities. The money does not go into anyone's bank account. Currently, I have not broken even. I have to often support the project by doing management consultancy."

All good causes depend on goodwill. Right now the residents of Malcolm's building are objecting to his running an office on a residential premise. He is looking out for a new office. "I would like to make an appeal to

anyone who can give us a premise, approximately 400 square feet. I cannot pay anything much except a nominal rent."

For the Hunger Project, Malcolm had to travel all over the country and what was his experience of the corruption that exists? "Well, the public distribution system does not reach the needy. While only a fraction of the Rs. 5,000 which an Adivasi family is supposed to get from the government every year reaches them. As for my project, the biggest source of harassment is the octroi checkpoints."

One wondered how it was possible to export a concept like *swadeshi*. Doesn't *swadeshi* mean 'Be Indian, Buy Indian'? Replies Malcolm, "I think the word *swadeshi* is too restricting, which is why the global organisation is being registered as a trust and will be called 'One'. *Swadeshi* for me means self-reliance and creating regions of self-sufficiency. But in order to be self-sufficient, trade must be there. Now I have identified villages in Iran for our project. Iran has been ostracised by the international community but we want to end hunger regardless of the country. We will be importing fuel, sulphur, dry fruits and handicrafts from these people and selling them in Bombay."

In Bombay, a group of MBA graduates have come forward to market the products under *Swadeshi Marketing*. They have complete rights over the distribution. All products have a label saying "Ending Hunger With Dignity".

More than his academic achievements, it is an inner conviction which helps Malcolm continue with his project. Who does he admire most? He replied, "Gandhi". There was a small quotation of Gandhi on his desk which read: "To believe what has not occurred in history will not occur at all, is to argue disbelief in the dignity of man."

Next month Malcolm will be visiting Bihar, a state where poverty has almost killed craft and tradition. The poor still make and wear shoes made out of discarded automobile tyres.

Foreigners often visit India to see a land of Gandhi. And when they see the violence they say 'Gandhi is dead'. How wrong? His spirit still lives.



■ Mr. Malcolm Printer, founder of *Swadeshi Exports*

go to the nearest restaurant and can pay Rs. 50 plus for a meal. Real hunger exists for those who do not even earn Rs. 5 a day. They live-off broken rice and tuber for taste.

Says Malcolm, "Hunger is said to exist only if it is chronic and persistent. Villages which report malnutrition, unsafe drinking water and insanitary conditions are more pro-

ended when the IMR for a particular region falls to 50 or below. The average IMR for the villages where *Swadeshi* works is 150. We then study whether the products of their handwork can be marketed abroad. Once we identify the product and the needy families making them, we buy the products and proceed to sell these, thereby providing the once hungry individual an opportunity to work with dignity and a lifeline for his family. It also indirectly helps others. According to my calculations employing a single person could feed 26!"

With this background, I decided to visit Malcolm's office-cum-home at Jer Baug, Byculla. It is within this walled Parsi colony that a global concept of 'One' is taking shape. Climbing up the stony staircase, I was ushered into a dining room converted into an office and store-room. Thousands of flutes were stacked in one corner, while there were palm-leaf baskets and a couple of old cupboards containing other products. There was a telephone, a round table and a bulb for lighting. His team consists of just three persons and volunteers who come to help when they can.

Over a cup of herbal tea, he showed me some of the products. There were shoes in exciting colours made of pure wool or jute having rubber soles for just Rs. 130 a pair. Malcolm himself wore one of them. "It is very comfortable, there is no leather and we give a one year guarantee. The price will be further reduced soon! The shoes are available for ladies, gents as well as little children. The shoes are made by the hungry from Hassan district, Karnataka. It took months to get a hundred pairs and in

bungalows are ready for possession. He said that each bungalow will be of either 900 sq. feet or 1,200 sq. feet on one acre land. A lawn will adorn every bungalow and residents with a green thumb will be provided with fruit trees and vegetables to grow in their own backyard. Enkay staff gardeners will also be present to maintain the lawns and look after the trees.

The special feature of these bungalows is that they will be totally heat resistant by using the Laurie Baker concept, a new technique of construction. Peace and tranquillity with modern facilities in the lap of mother nature is only achieved at a price, and the cost of each bungalow in Silent Valley is Rs. 25 lakh. According to Mr. Babu, already 50 bungalows have been booked.

Enkay Homes Limited is not content with this project, but is forging ahead and has launched a residential and commercial complex in Panvel to be completed by the year 1997. They also plan to build an independent satellite township in December '97 on the outskirts of Panvel.

Silent Valley project launched

By A Staff Reporter

Resorts, retreats and farm houses proliferating on the fringes of the metro are the latest refuge of the harried Bombayite. Silent Valley, a farm house project, is the latest entrant on the getaway scene.

Located on the outskirts of New Bombay, only 10 kms away from Panvel and one and half hour's drive from Bombay, wedged between Matheran and the Haji Malang Mountain in sylvan surroundings, Silent Valley is a 200-acre project dotted with bungalows where one can either enjoy retired life or just escape from the pressures of the city on a weekend.

The project, launched on August 16, is designed as a mini village housing 200 bungalows complete with modern recreational amenities like swimming pool, club house, golf course, etc. The project will also include a restaurant, ayurvedic centre and school, making it totally self-sufficient.

According to Mr. Bhupesh Babu, managing director of Enkay Homes Limited, two model

BSES

BSES LIMITED

CHANGES IN TELEPHONE NUMBERS OF DINDOSHI OFFICE

We wish to inform our consumers in Central Zone (Goregaon to Kandivli) that the Telephone Numbers of our Central Zone Office at Dindoshi will be changed with effect from Monday, 28th August 1995, 3.30 p.m. as follows.

Old Telephone Nos.

8401396
8414807
8421602
8422507

New Telephone Nos.

8428541, 8428542
8428543, 8428544
8428545, 8428546
8428547, 8428548

All the consumers in our Central Zone area (Goregaon to Kandivli) are requested to note the same.

BSES

BSES LIMITED

Public Notice

We have pleasure in announcing that the company has commissioned 220 KV receiving station at Ghodbunder by drawing transmission line from Dahanu Thermal Power Station. Simultaneously, we have commissioned two step-down transformers of 33/11 Kv - 20 MVA at Ghodbunder and Bhayandar. With this commissioning and an appropriate re-arrangement in high voltage distribution, the consumers at Ghodbunder, Bhayandar (East & West), Kashimira, Mira, Uttan, Dongri, Rai and Murcha, are now assured of better voltage profile at their service position. They can thereby obtain optimum output from the electrical appliances. Also the substantial enhancement in primary distribution capacity, the outages of supply are expected to reduce drastically which will result in improved reliability of supply.

The Company sincerely thanks the residents, factory owners and other commercial consumers for bearing with us this far when the supply conditions were not upto our normal standards. The consumers are now assured of improved quality of supply in their residences, business premises and factories.

General Manager (Supply)

ENTERPRISE

MALCOLM PRINTER, PROPRIETOR, SWADESHI EXPORTS

From software to exporting handicrafts

By DENNY THOMAS

Bombay, Oct. 31: Malcom R. Printer, the proprietor of Swadeshi Exports is not one of those typical hard core businessmen.

Having set up his export house in 1991, with the aim to export products varying from software to garments, Mr Printer diverted to the exports of handicrafts made by rural artisans in order to help the needy.

Though he has only exported goods worth Rs 400,000 in the subsequent time, he has the satisfaction of not only promoting Indian handicrafts but also knowledge of the fact that he has helped rural people in improving their standard of living.

Mr Printer could have settled for a cushy job and led a happy life, but for him the definition of happiness is different. After completing his masters' degree from Stony Brook University in US, he registered himself for a doctorate in Massachusetts University. "I should have been the most satisfied person, having got into one of the best universities, but somehow there was something which always bothered me. In spite of the fact that some of the best jobs awaited me as soon as I finished my job, I was not a happy man," recalls Mr Printer. One day, while he was glancing through books in a library, he came across a book on

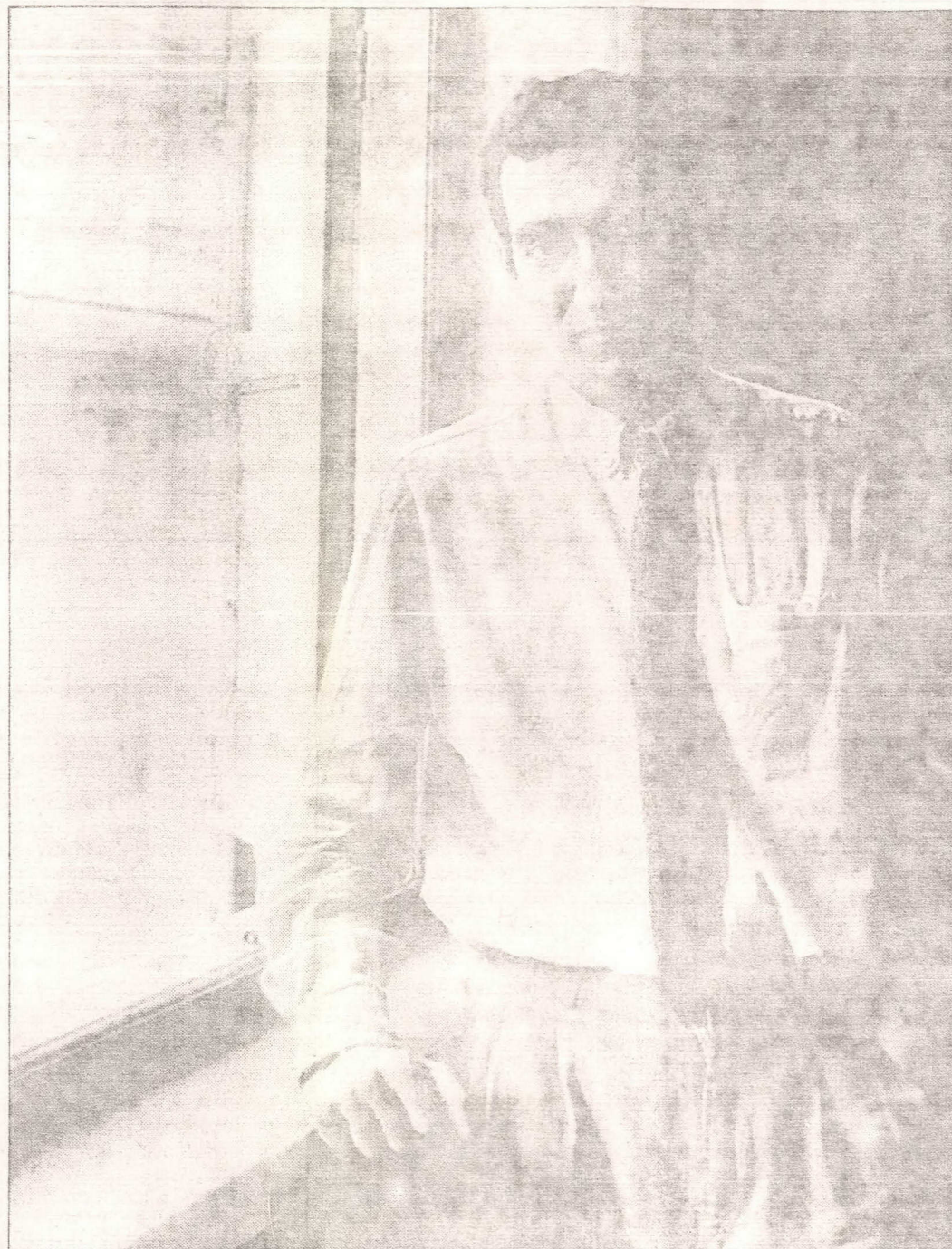
hunger. He has no more the same person. "It was a huge book and I was surprised to learn about hunger in the world. The book informed that there was more than 35,000 deaths due to hunger every day. These figures opened my eyes and I made up my mind to return to my home land in 1988," says Mr Printer.

Many of his friends called him crazy for resorting to such action. But he was firm on his going back. Even before he returned to India, he had to encounter another set of lucrative offers, from the scientific community.

"Again, it was a difficult decision to make. After resisting all the temptations I finally settled down to do my work. When I returned from the US, I did not have any project on hand. But when I reached India I realised that the organisation Hunger Project was already doing a lot of work in India. I got attached to them and started working with them," says Mr Printer.

He did not continue with the project for too long, as he found that there was something amiss in the work done by such organisations. So he set up his own organisation by the name of Swadeshi Exports.

"The goal was to export products made by rural artisans so their standard of living could be improved. This would finally reduce the number of deaths that



Mr Malcolm Printer, the proprietor of Swadeshi Exports. Mr Malcolm promotes rural handicrafts by exporting them. A photograph by Gajanan Dudhalkar

are the result of starvation," explains Mr Printer.

The range of products which his company exports includes Hand-made paper, Palmleaf trays, baskets, placemats, bags, tribal art paintings on terracotta and cloth, bamboo baskets, trays, hand woven cloth and brass handicrafts.

Exports at the moment are only to the US and the Middle East. But Swadeshi Exports wants to spread to other countries as well.

Talking about the first export consignment Mr Printer says, "It was an order to the Middle East and we had difficulty disbursing all our products. We also had, and still do, a lot of competition from handicrafts of Chinese origin."

At present, Swadeshi Exports has its network spread across 85 villages across the country. Mr Printer says that in the coming days he wants to transform Swadeshi Exports into a trust. He sees finance as a major problem. "Till now Swadeshi Exports has not taken aid from anywhere," says Mr Printer proudly.

Having qualified as a computer engineer, he worked as computer consultant, and put all that he has earned, which kept Swadeshi going.

Mr Printer seeks satisfaction in the fact that he has been able to pump life back into the dying rural art, such as Warli. "When we started this Swadeshi art, there were only two artisans in one of the villages in Maharashtra but today there are eight people in and around the village who have taken up this art," says Mr Printer. Mr Printers has been a unique venture.

He is happy that he has been successful in bringing up Swadeshi to this extent. "Our aim was to function as a no profit, no loss organisation, but I have ended up making huge losses," says Mr Printer.

Today he has been successful in increasing the demand for all those products that were doing badly such as woollen shoes made in the villages of Uttar Pradesh and Karnataka.

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MICROCREDIT SUMMIT

FEBRUARY 2-4, 1997

PROGRAM AGENDA

We have assembled to launch a global movement to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services, by the year 2005.

Sponsored by:

CITICORP
FOUNDATION

CHARLES STEWART
MOTT FOUNDATION

Monsanto Fund

MasterCard International

A Project of RESULTS Educational Fund



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The Summit Foundation

FUNDERS OF REGIONAL ROOMS

Africa:

Bureau for Africa, UNDP

Asia/Pacific:

Asian and Pacific Development Center, and UNDP

Industrialized Countries:

Citicorp Foundation

Latin America:

Inter-American Development Bank

SCHOLARSHIP FUNDERS

The following agencies have funded the participation of grassroots microcredit practitioners from developing nations:

- Asian Development Bank
- Australian Agency for International Development
- Austrian Development Cooperation, Federal Ministry of Foreign Affairs
- Canadian International Development Agency
- Inter-American Development Bank
- International Fund for Agricultural Development
- International Labor Organization
- Ministry of Foreign Affairs, Finland
- Ministry of Foreign Affairs, Italy
- Ministry of Foreign Affairs, The Netherlands
- Swiss Agency for Development Cooperation
- United States Agency for International Development
- United Nations Children's Fund
- United Nations Development Program
- United Nations Educational, Scientific and Cultural Organization
- United Nations Fund for Women
- United Nations High Commission for Refugees
- United Nations Population Fund
- The World Bank

ORGANIZING COMMITTEE*

Nancy Barry
President, Women's World Banking

Ela Bhatt
General Secretary, Self-Employed Women's Association

Margaret Catley-Carlson
President, Population Council

Michael Chu
President and CEO, ACCION Int'l

Connie Evans
President, Women's Self-Employment Project

William Foege, MD, MPH
Executive Director, Task Force for Child Survival and Development

John Hatch, PhD
Founder, FINCA

Wakako Hironaka
Member, House of Councillors, Japan

Ismail Serageldin
Vice President, The World Bank

Ellen Johnson Sirleaf
Regional Director, Bureau for Africa, UN Development Program

Kathy Waldron
Vice President, Citibank N.A.

Muhammad Yunus, PhD
Managing Director, Grameen Bank

*Organizations listed for informational purposes only.

SUMMIT DIRECTOR

Sam Daley-Harris
President, RESULTS Educational Fund, RESULTS International

The Microcredit Summit is a project of the RESULTS Educational Fund

Message from the Director

February 2, 1997

Dear Friends,

On behalf of the Microcredit Summit Organizing Committee, the Council Co-Chairs, the Secretariat, RESULTS Educational Fund, and our Sponsors and other funders, I extend to each of you a warm welcome.

More than 2,000 of us are gathered from over 100 nations to launch a nine-year campaign to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the year 2000.

This Summit is a celebration of the courage and strength of very poor people. It is a celebration of the tenacity and commitment of practitioners all around the world and of what more is possible if we work together.

Two years ago several friends of mine interviewed a borrower from South Asia. They asked her if she would rather have received her loan in the form of a gift. Here was her answer.

If I am given a gift, it is not for development, it is just to enjoy. If it is a gift, I think I get it for free so I have no tension. I can use it any way I want. If I get a loan, I have pressure to pay it back and will work hard. A gift makes a person lazy, and destroys a community.

It is a recognition of this kind of wisdom that brings us to the Microcredit Summit. The Summit has been organized to forward an important learning agenda, to promote the development and implementation of institutional action plans, and to inspire the leader in each one of us.

Please let us know how we can serve your commitment to providing a dignified route out of poverty for people everywhere.

Sincerely,

Sam Daley-Harris

Sam Daley-Harris
Summit Director

History and Overview

THE DECLARATION AND PLAN OF ACTION

The *Microcredit Summit Declaration* summarizes the case for microcredit as a critical anti-poverty tool and outlines the principles that contribute to its success. The *Plan of Action* describes the organizational and financial infrastructure necessary to reach 100 million of the world's poorest families with microcredit, and outlines the contribution each sector of society can make toward the fulfillment of this goal.

The *Microcredit Summit Declaration and Plan of Action* is the culmination of a 20-month process of development. The document has been revised five times and incorporates the comments and suggestions of individuals and institutions from around the world. In addition, two Microcredit Summit Preparatory Meetings (November 1995 and September 1996) and several regional forums have been held to facilitate further comment on the document. The *Summit Declaration and Plan of Action* has been distributed in final form to all Summit delegates.

THE DECLARATION OF SUPPORT

The *Declaration and Plan of Action* is a lengthy document containing language and issues that will always be open to discussion and debate. It is unrealistic to expect total consensus from all participants on a document of this nature.

However, Summit delegates and concerned citizens do agree on the worth of the document as a whole and support the campaign to provide credit for self-employment and other financial and business services to 100 million of the world's poorest families by the year 2005. To indicate support for the overall *goals and spirit* of the *Microcredit Summit Declaration and Plan of Action*, delegates are asked to sign the *Declaration of Support* and turn it in at the signing ceremony at the close of the Monday morning plenary session.

Summit Councils

THE COUNCILS

The Microcredit Summit Councils provide a forum for similar organizations to support one another in developing and implementing institutional action plans for contributing to the Summit goal. Members make the following commitments:

Educate their own institutions, and others they reach, about the Microcredit Summit;

Designate senior representatives to attend the Summit;

Prepare an action plan outlining their institutions' contribution to the Summit goal - to be announced either at the Summit or by February 1998; and

Join one of the following Summit Councils:

- Council of United Nations Agencies
- Council of Donor Agencies
- Council of International Financial Institutions
- Council of Parliamentarians and Elected Officials
- Council of Domestic Government Agencies
- Council of Heads of State and Government
- Council of Practitioners
- Council of NGOs
- Council of Advocates
- Council of Banks and Commercial Finance Institutions
- Council of Corporations
- Council of Religious Institutions
- Council of Service Clubs
- Council of Foundations and Philanthropists
- Council of Educational Institutions

Agenda at a Glance

Saturday, February 1

8:00 am	Registration Opens
1:00 pm	Exhibit Set-up
2:00 pm - 5:00 pm	Welcome Reception <i>The Delaware Suite</i>

Sunday, February 2

8:00 am	Registration Opens
10:00 am	Exhibits Open
1:00 pm - 3:30 pm	Opening Ceremony <i>Sheraton Ballroom</i>
4:00 pm - 6:00 pm	Council Meetings
6:15 pm - 7:00 pm	Delegation Meetings On Your Own
8:00 pm - 10:00 pm	Opening Dinner <i>Sheraton Ballroom</i>

Monday, February 3

7:30 am - 8:30 am	Breakfast On Your Own (<i>Atrium</i>)
9:00 am - 10:30 am	Plenary Session <i>Sheraton Ballroom</i>
11:00 am - 12:30 pm	Meet the Challenge Sessions I
12:30 pm - 3:00 pm	Lunch Break On Your Own (<i>Exhibit Hall B</i>)
3:00 pm - 4:30 pm	Meet the Challenge Sessions II
5:00 pm - 6:30 pm	Regional Plenaries/National Meetings
6:30 pm - 8:30 pm	Dinner Break On Your Own (<i>Exhibit Hall B</i>)
8:45 pm - 10:15 pm	Plenary Cultural Event <i>Sheraton Ballroom</i>

Tuesday, February 4

7:00 am - 8:00 am	Breakfast On Your Own (<i>Atrium</i>)
8:30 am - 9:30 am	Plenary Session <i>Sheraton Ballroom</i>
10:00 am - 11:30 am	Council Meetings
11:30 am - 1:30 pm	Lunch Break On Your Own (<i>Exhibit Hall B</i>)
1:30 pm - 3:00 pm	Closing Plenary <i>Sheraton Ballroom</i>

Microcredit Summit Agenda

SATURDAY, FEBRUARY 1

PRE-SUMMIT AGENDA

Registration Opens
8:00 a.m.

Exhibit Set-Up
1:00 p.m.

Welcome Reception
2:00 - 5:00 p.m.
The Delaware Suite

SUNDAY, FEBRUARY 2

SUMMIT AGENDA

Registration Opens
8:00 a.m.

Exhibits Open
10:00 a.m.

Opening Plenary
1:00 - 3:30 p.m.
Sheraton Ballroom

Performance by Kankouran African Dance Company
Video of Makgomo Mangena, micro-entrepreneur from South Africa
Introductions by Sam Daley-Harris, Director, Microcredit Summit

Speakers:

- 1 • H.E. Sheikh Hasina, Prime Minister of Bangladesh *tape*
- 3 • H.E. Yoweri Kakugutu Museveni, President of Uganda
- 2 • H.E. Alpha Oumar Konare, President of Mali
- 4 • H.E. Pascoal M. Mocumbi, Prime Minister of Mozambique
- 6 • H.M. Queen Sofia, The Queen of Spain

- 7 • Tsutomu Hata, Former Prime Minister of Japan
- 8 • Muhammad Yunus, Managing Director, Grameen Bank
- Dr. Siti Hasmah, First Lady of Malaysia
- Huguette Labelle, President, Canadian International Development Agency
- Robert Shapiro, Chairman and CEO, Monsanto Company
- Ela Bhatt, General Secretary, Self Employed Women's Association
- Federico Mayor, Director-General, UNESCO
- Dr. William Vendley, Secretary General, World Conference on Religion and Peace
- Michael Chu, President and CEO, ACCION International
- Sen. Rino Serri, Under-Secretary of State, Ministry of Foreign Affairs, Italy
- Connie Evans, President, Women's Self-Employment Project
- Dr. Eduardo Pablo Amadeo, National Secretary for Social Development, Argentina
- Ismail Serageldin, Vice President, The World Bank

Announcements by Dr. William Foege, Executive Director, Task Force for Child Survival and Development

Council Meetings
4:00 - 6:00 p.m.

Delegates and observers should attend the council meeting appropriate to their institution.

- Heads of State and Government-
The Ethan Allen Room
- Domestic Government Agencies-
The Nathan Hale Room
- Joint Meeting of UN Agencies, International Financial Institutions and Donor Agencies-*The Delaware Suite*
- Parliamentarians-*The Calvert Room*
- Practitioners in Developing Countries-*The Sheraton North Ballroom*
- Practitioners in Industrialized Countries-*The Sheraton South Ballroom*
- Banks and Commercial Financial Institutions-*The Holmes Room*
- Corporations-*The Colorado Room*

- Foundations and Philanthropists-
The Marshall Room
- Advocates and Service Clubs-
The Washington Ballroom
- NGOs-*The Cotillion Ballroom*
- Educational Institutions-
The Warren Room
- Religious Institutions-
The Vermont Room

Delegation Meetings on Your Own
6:15 - 7:00 p.m.

Opening Dinner
8:00 - 10:00 p.m.
The Sheraton Ballroom

Performance by the Bangladesh Cultural Group
Video of Mursheda Begum, micro-entrepreneur from Bangladesh
Introductions by Sam Daley-Harris, Director, Microcredit Summit

Speakers:

- Jack Litzenberg, Program Officer, Charles Stewart Mott Foundation
- Paul Ostergard, President, Citicorp Foundation
- Ambassador Juan Somavia, Permanent Representative of Chile to the United Nations and Chairman of the Main Committee of the World Summit for Social Development

Performance by David Pomeranz

MONDAY, FEBRUARY 3

Breakfast
7:30 - 8:30 am

A reasonably priced continental breakfast will be available in the Atrium, outside the Exhibit Hall, for Summit participants

Plenary
9:00 - 10:30 a.m.
The Sheraton Ballroom

Performance by Ollantay, music from Latin America
Video of Mercedes Mamane, microentrepreneur from Bolivia
Report from Council Meetings and introductions by Margaret Catley-Carlson, President, Population Council

Speakers:

- Carol Bellamy, Executive Director, United Nations Children's Fund
- Dr. Nafis Sadik, Executive Director, United Nations Population Fund
- Nancy Barry, President, Women's World Banking
- Noeleen Heyzer, Executive Director, United Nations Fund for Women
- J. Brian Atwood, Administrator, United States Agency for International Development
- Fawzi Al-Sultan, President, International Fund for Agricultural Development
- Richard Child, President, Latin American Region, MasterCard International
- Robert E. Rubin, Secretary of the U.S. Treasury
- Hillary Rodham Clinton, First Lady of the United States

Signing of *Declarations of Support*
Performance by the World
Children's Choir
Collection of the *Declarations of Support* by fifth-grade students
from Sandy Spring Friends School

Meet the Challenge Sessions I

11:00 am- 12:30 pm

The Basics of Designing a Sustainable Microcredit Program to Serve Very Poor People in Developing Countries (finding training, setting appropriate interest rates, ensuring loan repayment, setting performance and impact standards, ensuring borrower participation, establishing savings)
The Sheraton South Ballroom

Moderator:

Muhammad Yunus, Grameen Bank

Panelists:

Christopher Dunford, Freedom from Hunger; Kimanthi Mutua, KREP; Srividhya Rajagopalan, Working Women's Forum (India); Sonia B. Saltzman, ACCION International

The Basics of Designing a Sustainable Microcredit Program to Serve Very Poor People in Developing Countries (see above) (in Spanish)
The North Cotillion Ballroom

Moderator:

John Hatch, FINCA

Panelists:

Jackie Bass, Save the Children; Ellen van der Bruegge, Freedom from Hunger; Sharon D'Onofrio, Catholic Relief Services; Alicia Poucar, FINCA Nicaragua

The Basics of Designing a Sustainable Microcredit Program to Serve Very Poor People in Developing Countries (see above) (in French)

The South Cotillion Ballroom

Moderator:

Kathleen Stack, Freedom from Hunger

Panelists:

Reda Mamari, Save the Children Lebanon; Alou Sidibe, Kafo Jiginew; Lawrence Yanovitch, FINCA International

The Basics of Designing a Sustainable Microcredit Program to Serve Poor People in Industrialized Countries

The Washington Ballroom

Moderator:

Peggy Clark, The Aspen Institute

Panelists:

Jeffrey Ashe, Working Capital; Sarah Forster, The World Bank; Peter Nares, Self-Employment Development Initiatives; Christopher Sikes, Western Massachusetts Enterprise Fund

Building Effective Microcredit Programs to Serve Very Poor People in Eastern Europe

Maryland Room C

Moderator:

Maria Nowak, ADIE

Panelists:

Rosalind Copisarow, Fundusz Mikro; Konini Zana, Albanian Development Fund; Neyira Nalic, BOSPO; Roger Voorhies, Micro Initiative, Inc.

Methodology for Reaching the Poorest and Covering Costs

Meeting Room 1, Exhibit Hall B

Moderator:

David Gibbons, CASHPOR

Panelists:

Edwardo Bazoberry, PRODEM, Bolivia; John DeWit, Small

Enterprise Foundation; Delores McLaughlin, PLAN International

Moving Toward Institutional Sustainability in Developing Countries (setting appropriate interest rates, ensuring repayment, keeping costs down)

Delaware Room A

Moderator:

Nancy Barry, Women's World Banking

Panelists:

Clara Akerman, Fundacion WWB; Humaira Islam, Shakti Foundation; Jennifer Riria, Kenya Women Finance Trust

Moving Toward Institutional Sustainability in Industrialized Countries (setting appropriate interest rates, ensuring repayment, keeping costs down)

Delaware Room B

Moderator:

Bill Burrus, ACCION USA

Panelists:

Mary Coyle, Coady International Institute; Mary Dupont, YWCA New Castle County, Delaware; Delma Soto, ACCION New York

Establishing Management Information Systems to Assess Organizational Strength and to Effectively Manage

The Taft Room

Moderator:

Dipal Chandra Barua, Grameen Bank

Panelists:

Jaime D. Arguello, FINCA International; Masud Isa, Grameen Shamogree; Joyce Kadandara, World Health Organization; Graham Perrett, Freedom from Hunger

Designing Cost Effective Business Development Services for Poor Clients in Industrialized Countries

Virginia Room B

Moderator:

Mary Matthews, Northeast Entrepreneur Fund, Inc.

Panelists:

Frank Ballesteros, PPEP; Marcie Goldstein-Gelb, Working Capital; Leslie Tyler, FINCA USA

Monitoring Program Impact in the Lives of the Clients

The Sheraton North Ballroom

Moderator:

Noeleen Heyzer, UNIFEM

Panelists:

Pancho Otero, MPI; Helen Todd, CASHPOR; Aida Toure, FDEA; Jayshree Vyas, SEWA

Developing New Financial Products and Services in Response to Client Need

The Johnson Room

Moderator:

Abdelmajid Slama, IFAD

Panelists:

Dr. Cecilia D. del Castillo, NWTF; J. Howard M. Jones, University of Reading, UK; Mohini Malhotra, CGAP Secretariat; Miguel Taborga, Inter-American Development Bank

Participatory Methodologies: Maximizing Client Participation in Design, Management, and Evaluation of Lending Group Activities

Lanai Room 152

Moderator:

Ela Bhatt, SEWA

Panelists:

Febbie Kaufulu, FINCA Malawi; Jonathan Taylor, North Capitol Neighborhood Development, Inc.; Carmen Velasco, Pro Mujer

Designing Cost-Effective Business Development Services for Very Poor People in Developing Countries

Virginia Room C

Moderator:

Rich Williamson, Mayer, Brown & Platt

Panelists:

Gilberto Amaya, ATI; Lara Goldmark, Inter-American Development Bank; Andy Jeans, Intermediate Technology

Ensuring That a Repayment Problem Does Not Become a Repayment Crisis

The Colorado Room

Moderator:

H.I. Latifee, Grameen Trust

Panelists:

Barbara Calvin, Calmeadow; Chris Hock, Rural Finance Facility; Sukor

Kasim, University Sains Malaysia; Mila G. Mercado-Bunker, AHON-SA HIRAP, Inc.

Where Are the Sources of Grant Funds for Microcredit Programs in Developing Countries (What is available? How can it be improved?

How can it lead to sustainable institutions that serve the very poor?) **(in Spanish)**

The Marshall Room

Moderator:

Rupert Scofield, FINCA International

Panelists:

Jose Luis Curbelo, Inter-American Development Bank; Santa de Euceda, ODEF; Gladys de Enriquez, FINCA Honduras; James Franz, Opportunity International

UN Agency Funding of Microcredit Programs (What is available? How can it be improved? How can it lead to sustainable institutions that serve the very poor?)

The Holmes Room

Moderator:

Ellen Johnson Sirleaf, UNDP

Panelists:

Carol Bellamy, UNICEF; Poul Grosen, UNCDF; K. Tapiola, ILO

Donor Agency Funding of Microcredit (What is available? How can it be improved? How can it lead to sustainable institutions that serve the very poor?)

The Warren Room

Moderator:

Beth Rhyne, USAID

Panelists:

Lars Ekengren, Sida; Sally Shelton-Colby, USAID; Deborah Stokes, AusAID; Hisao Tanimoto, OECF; David Wright, ODA

Domestic Government Agency Funding of Microcredit Programs in Developing Countries (What is available? How can it be improved? How can it lead to sustainable institutions that serve the very poor?)

The Calvert Room

Moderator:

Dr. Salehuddin Ahmed, PKSF

Panelists:

Albertine Gnazan Hepie, Minister of Family and Women's Affairs, Cote d'Ivoire; Robert S. De

Ocampo, Finance Secretary, The Philippines; P.A. Kiriwandeniya, Federation of Thrift and Credit Cooperative Societies Limited (Sri Lanka); Dr. Atiqur Rahman, IFAD

International Financial Institution Lending for Microcredit (What is available? How can it be improved? How can it lead to sustainable institutions that serve the very poor?)

The Kansas Room

Moderator:

Ismail Serageldin, The World Bank

Panelists:

Nancy Birdsall, Inter-American Development Bank; Jim Moody, IFAD; Maria Otero, ACCION International; Mieko Nishimizu, The World Bank; Peter Sullivan, Asian Development Bank

Financing Microcredit Programs: Mobilizing Savings and Ensuring Their Safe Use

The Idaho Room

Moderator:

Eleanor Howard, Inter-American Development Bank

Panelists:

Carlos Cuevas, The World Bank; Barry Lennon, USAID; David C. Richardson, World Council of Credit Unions; J.D. Von Pischke, consultant

Finding Microcredit Programs to Support: A Guide for Funders

The Truman Room

Moderator:

Gert Van Maanen, ECDS

Panelists:

M. Udaia Kumar, SHARE; Lamiya Morshed, Grameen Trust; Anne Haines Yatskowitz, ACCION New Mexico

When is a Program Ready to Access Commercial Funds? A Discussion of Commercial Standards

The Wisconsin Room

Moderator:

Michael Chu, ACCION International

Panelists:

Heather Clark, USAID; Debra Drake, ACCION International; Jenny Hoffmann, Khula Enterprise Finance Ltd.

Foundation Funding of Microcredit: An Overview of Current Trends and How to Expand the Number of Funders in the U.S. and Canada

The Vermont Room

Moderators:

Sarah K. Gould, Ms. Foundation for Women; Jack Litzenberg, Charles Stewart Mott Foundation

Panelists:

Michele Lord, Norman Foundation; Lisa Mensah, The Ford Foundation; Janet Thompson, Citibank

What Is My Company's Deep Strategic Interest in the Fulfillment of the Summit's Goal, and How Can I Educate and Enlist Others to Work to Support It?

The Nathan Hale Room

Moderator:

Charlotte Rush, MasterCard International

Panelists:

Amo Houghton, US House of Representatives; Robert Harness, Monsanto Company

How Can Microcredit Practitioners in Developing Countries Build National Networks and Associations?

The Eisenhower Room

Moderator:

Elaine Edgcomb, The SEEP Network

Panelists:

Vijayalakshmi Das, Friends of Women's World Banking; Alelle Dondo, Kenya Rural Enterprise Program; Diego Guzman, ACCION Columbia; Benjamin Montemayor, TSPI Development Corporation

How Can Microcredit Practitioners in Industrialized Countries Build National Networks and Associations?

The Roosevelt Room

Moderator:

Chris Benuzzi, AEO

Panelists:

Alison Feighan, Robert A. Rapoza Associates; Donna Fabiani, FINCA USA; Bob Friedman, Corporation for Enterprise Development

How Can Microcredit Practitioners in Developing Countries Build National Networks and Associations? (in Spanish)

Lanai Room 156

Moderator:

C. Aguilar Cruz, COPEME

Panelists:

Sincrito Cifuentes, FENACOAC; Jorge Oroza Manrique, Catholic Relief Services; Leo Soldaat, Women Finance Trust of Zambia; Gory Suarez, Corfas

How Can Microcredit Practitioners in Developing Countries Build National Networks and Associations? (in French)

Lanai Room 160

Moderator:

Candace Nelson, The SEEP Network

Panelists:

Kotsoni Akemakou, Fucec, Togo; Natoh Mantia, Fidi; Alpha Ouedrago, RCPB; Didier Thys, Catholic Relief Services

How Can Parliamentarians, Advocates, and Other Leaders Get High-level Government Commitment to Microcredit Programs and the Summit's Goal?

The Woodley Room

Moderator:

Adelheid Troscher, German Bundestag

Panelists:

Dr. Winfried Pinger, German Bundestag; Clare Short, British House of Commons; Wakako Hironaka, House of Councillors, Japan; Toby Moffett, Monsanto Company

Hearing from the Clients

Meeting Room 2, Exhibit Hall B

Moderator:

Rosina Wiltshire, UNDP

Panelists:

Patrisia Akoth Amolo, Kenya Rural Enterprise Program; Emilio Reyes Ramos, ACCION Peru; Hortensia Contreras, FINCA El Salvador; Taslima Akter, South Asia Poverty Alleviation Program

Microcredit and The Media

The Kennedy Room

Moderator:

Mike Kiernan, InterAction

Panelists:

Michael Serrill, *Time Magazine*;

Michelle Singletary, *The Washington Post*; Gabriela Romanow, ACCION International

Linking Microcredit with Health

Lanai Room 144

Moderator:

Dr. Rodriquez-Garcia, George Washington University

Panelists:

Dr. A. El-Bindari Hammad, World Health Organization; Dr. Bettina Schwethelm, Project HOPE; Maria Sokenu, Institute for Poverty Eradication; Dr. William Waters, George Washington Center for International Health

How Can Employees of Multi-national Corporations, Service Club Members and Others Find and Appropriately Support Local Microcredit Programs?

Lanai Room 148

Moderator:

Marshall Saunders, International Fellowship of Rotary

Panelists:

Susy Cheston, Women's Opportunity Fund; S. Devaraj, ASA; Iris Lanao de Salinas, FINCA Peru; Helenmarie Zachritz, FEMAP Foundation

Lunch Break on Your Own

12:30 - 3:00 p.m.

A reasonably priced lunch will be available in Exhibit Hall B.

Meet the Challenge Sessions II

3:00 - 4:30 p.m.

The Basics of Designing a Sustainable Microcredit Program to Serve Very Poor People in Developing Countries (finding training, setting appropriate interest rates, ensuring loan repayment, setting performance and impact standards, ensuring borrower participation, establishing savings)

The Sheraton South Ballroom

Moderator:

Aminul Alam, BRAC

Panelists:

Dipal Chandra Barua, Grameen Bank; Martin Burt, Mayor, Asuncion, Paraguay; M. Udaia Kumar, SHARE; Rupert Scofield, FINCA International

The Basics of Designing a Sustainable Microcredit Program to Serve Very Poor People in Developing Countries (see above) (in Spanish)

The North Cotillion Ballroom

Moderator:

John Hatch, FINCA

Panelists:

Jackie Bass, Save the Children; Ellen Vorder Bruegge, Freedom from Hunger; Sharon D'Onofrio, Catholic Relief Services; Alicia Paucar, FINCA Nicaragua

The Basics of Designing a Sustainable Microcredit Program to Serve Very Poor People in Developing Countries (see above) (in French)

The South Cotillion Ballroom

Moderator:

Didier Thys, Catholic Relief Services

Panelists:

Alpha Ouedraogo, RCPB; Alain Plouffe, Socodevi; Kathleen Stack, Freedom from Hunger

The Basics of Designing a Sustainable Microcredit Program to Serve Poor People in Industrialized Countries

The Washington Ballroom

Moderator:

Connie Evans, WSEP

Panelists:

Frank Ballesterio, PPEP; Jeannine Jakokes, CDFI Fund; Peter Nares, SEDI, Karen Sherman, Counterpart International

Methodology for Reaching the Poorest and Covering Costs

The Sheraton North Ballroom

Moderator:

Sukor Kasim, University Sains Malaysia

Panelists:

S. Devaraj, ASA; John DeWit, Small Enterprise Foundation; Christopher Dunford, Freedom from Hunger; Delores McLaughlin, PLAN International

Moving Toward Institutional Sustainability in Developing Countries (see morning session) (in Spanish)

Delaware Room A

Moderator:

Maria Otero, ACCION USA

Panelists:

Carlos Castello, ACCION International; Maria Marta Padilla, FINCA Costa Rica; Mauricio Rojas, Banco del Desarrollo; Richard Rosenberg, CGAP Secretariat

Moving Toward Institutional Sustainability in Industrialized Countries (setting appropriate interest rates, ensuring repayment, keeping costs down)

Delaware Room B

Moderator:

Jeffrey Ashe, Working Capital

Panelists:

Janie Barrera, ACCION Texas; Rosalind Copisarow, Fundusz Mikro; Martin Connell, Calmeadow; Christopher Sikes, Western Massachusetts Enterprise Fund

Going to Scale: Lessons from Global Health Programs and Other Experts in Expansion

Maryland Room C

Moderator:

Bill Foege, MD, The Carter Center

Panelists:

Dr. Marcel Galiba, Sasakawa/Global 2000; Ciro A. de Quadros, MD, MPH, Pan American Health Organization

Managing the Growth of Microcredit Programs: Recruiting and Training Staff

Virginia Room B

Moderator:

Muhammad Yunus, Grameen Bank

Panelists:

Steve Gross, ACCION International; Atiqun Nabi, BRAC; Iris Lanao de Salinas, FINCA Peru

Monitoring Program Impact in the Lives of the Clients

Virginia Room C

Moderator:

Thomas Joseph, ACTIONAID - Ethiopia

Panelists:

Renee Chao Beroff, CIDR; Susan Johnson, ACTIONAID; Shahidur Khandanker, The World Bank

Designing Cost Effective Business Development Services for Very Poor People in Developing Countries

The Johnson Room

Moderator:

Andy McGuire, ATI

Panelists:

Hank Jackelen, UNDP; Alexandra Overy, Save the Children; Hassan Zaman, BRAC

Managing the Growth of Microcredit Programs: Using a Spreadsheet or Model to Plan for Scaling Up

The Colorado Room

Moderator:

Ken Koskela, Opportunity International

Panelists:

Jamie D. Atguella, FINCA International; David Gibbons, CASHPOR; Maria Eugenia Iglesias, Finasol S.A.; Masud Isa, Grameen Shamogree

What Can Commercial Banks and Microcredit Institutions Learn from Each Other?

The Warren Room

Moderator:

Nancy Barry, Women's World Banking

Panelists:

Mercedes Canalda, ADOPEM; Chris Hock, Rural Finance Facility; Lisa Mensah, The Ford Foundation; Jayshree Vjas, SEWA

Participatory Methodologies: Maximizing Client Participation in Design, Management, and Evaluation of Lending Group Activities

Lanai Room 152

Moderator:

Jaya Arunachalam, Working Women's Forum (India)

Panelists:

Dr. Cecelia D. Del Castillo, NWTF; Osvaldo N. Feinstein, IFAD; LaDoris Payne, WomanSpirit

Targeting Very Poor Youth as Clients of Microcredit Programs

The Woodley Room

Moderator:

David Newing, The Canadian Youth Business Foundation

Panelists:

Suzan Habachy, The Trickle Up Program; Patrice LeFleur, Commonwealth Youth Program; Estella Richardson, Street Kids International; Mantha Sharma, Bharatiya Trust

Grant Funding of Microcredit Programs in Developing Countries (What are the sources of grant funds for seeding and scaling-up institutions and for practitioner networks? How can these funds lead to sustainable institutions that serve very poor people? What funds are available for loan capital? What funds are available for capacity building?)

The Holmes Room

Moderator:

Mark van der Voet, Ministry of Foreign Affairs, The Netherlands

Panelists:

Dr. John L. Mason, Monsanto Fund; Marilou van Golstein Brouwers, Triodos Bank N.V.; Fernando Lucano, SIDI

Grant Funding of Microcredit Programs in Europe (see above)

The Calvert Room

Moderator:

Malcolm Hayday, Charities Aid Foundation

Panelists:

Viviane Vandemeulebroucke, INAISE; B. Van Oven, Doen Foundation

Finding Microcredit Programs to Support: A Guide for Funders

The Truman Room

Moderator:

Elaine Edgcomb, The SEEP Network

Panelists:

Brandee Galvin-McHale, Citicorp Foundation; Gregory A. Ratliff, MacArthur Foundation; Anna Wadia, Ms. Foundation for Women; Henrie M Treadwell, W.K. Kellogg Foundation

Guarantee Funds (Their purpose and experience; equity funds and pooled investment funds)

The Kansas Room

Moderator:

Michael Chu, ACCION International

Panelists:

Stefan Harpe, Calmeadow; Donna Katzin, Shared Interest; Sonia B. Saltzman, ACCION International; Alex Silva, PROFUND Internacio S.A.

Financing Microcredit Programs: Mobilizing Savings and Ensuring Their Safe Use

Lanai Room 144

Moderator:

Shafiqueal Haque Choudhury, ASA

Panelists:

Victorine Ktohozounde, ACCOSCA; Pancho Otero, MPI; Chris De Noose, WSBI; Rauno Zander, IFAD

How Can Microcredit Programs in Developing Countries Establish Relationships with Local Banks?

The Idaho Room

Moderator:

Kathy Waldron, Citibank N.A.

Panelists:

John Conroy, Foundation Development Corporation; Gil Crawford, Seed; Ahmed Jazayeri, IFAD; Lisa Lindsley, ACCION International

How Can Microcredit Programs in Industrialized Countries Establish Relationships with Local Banks?

The Wisconsin Room

Moderator:

Gary Hattem, Bankers Trust

Panelists:

Peter Blom, Triodos Bank; John Else, Institute for Social and Economic Development; Terry Mollner, Calvert Social Investment Fund; Delma Soto, ACCION New York; Kim Wilson, Working Capital

Finance Minister and Multilateral Bank Perspectives on Microenterprise

The Nathan Hale Room

Moderator:

Robert Rubin, Secretary of the U.S. Treasury

Invited panelists include representatives from the The World Bank, Asian Development Bank, African Development Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, and other finance ministers.

How Can I Enlist Others in My Service Club, School, or Religious Institution and Educate Them About Microcredit and the Summit's Goal?

The Vermont Room

Moderator:

Louis Knowles, EDCS

Panelists:

Robert Clemetson, New Community Baptist Church; Maureen Fenlon, EDCS; Kathy Pomroy, Bread for the World; Steven Rickard, Rickard Realty Advisors, Inc.

Identifying and Addressing Regulatory Obstacles to the Growth of Microcredit Programs in Developing Countries

The Taft Room

Moderator:

Kimanthi Mutua, Kenya Rural Enterprise Program

Panelists:

Shari Berenbach, Calvert Social Investment Fund; Janney Carpenter, Shorebank Advisory Services; Rachel Rock, ACCION International; Jennifer Riria, Kenya Women Finance Trust

Identifying and Addressing Regulatory Obstacles to the Growth of Microcredit Programs in Industrialized Countries

Lanai Room 156

Moderator:

Lawrence Yanovitch, FINCA International

Panelists:

Dr. Paul Armbruster, DGAV; Bob Friedman, Corporation for Enterprise Development; Pieter van Gils, VanCity Savings Credit Union; Maria Nowak, ADIE

How Can Advocates and Other Leaders Get High-level Government Commitment to Microcredit Programs and the Summit's Goal?

Meeting Room 1, Exhibit Hall B

Moderator:

Lois Barber, EarthAction

Panelists:

Sheila Davie, RESULTS UK; Dr. Hakra Gurung, Asian and Pacific Development Center; Julia Taft, InterAction

Using the Media to Educate the Public about Microcredit and the Summit's Goal

The Eisenhower Room

Moderator:

David Butts, Bloomberg Business News

Panelists:

Peter Demchuk, *Nightline*; Steve Dryden, *Bloomberg News*; Carol Douglass, FINCA International

Hearing from the Clients

The Marshall Room

Moderator:

Rosina Wiltshire, UNDP

Panelists:

M.A. Hamid, South Asia Poverty Alleviation Program; Chandra Jagaria, SEWA; Taisei Matsuki, Japanese Mission; Fructuosa Quispe, PRO-DEM; Maseote Alice Semosa, Small Enterprise Foundation

Accessing Microcredit Information on the Internet

Meeting Room 2, Exhibit Hall B

Presenter:

Hari Srinivas, creator of the Informal Credit Homepage in Japan, will present an Internet demonstration

Microcredit Programs and the Environment

The Roosevelt Room

Moderator:

Dean Pallen, CIDA

Panelists:

Dan Biller, The World Bank; Tammy E. Newmark, TechnoServe; Mike Saxenian, Conservation International; Karin Theophile, US Forest Service

**Regional Plenaries/
National Meetings**

5:00 - 6:30 p.m.

- **Africa**
The Sheraton North Ballroom
- **Asia and Pacific**
The Sheraton South Ballroom
- **Canada**
The Delaware Suite
- **Europe**
Virginia Rooms B and C
- **Latin America**
The Cotillion Ballroom
- **USA**
The Washington Ballroom

Dinner Break on Your Own
6:30 - 8:30 pm. (*Exhibit Hall B*)

Plenary Cultural Event

8:45 - 10:15 pm
The Sheraton Ballroom

Performance by Ganga, music from India
Performance by Ollantay, music from Latin America
Performance by Kantouran African Dance Company

TUESDAY, FEBRUARY 4

Breakfast on Your Own
7:00 - 8:00 am (*Atrium*)

Plenary

8:30 - 9:30 am
The Sheraton Ballroom

Performance by David Pomeranz
Video of Joanna Sampson-McCabe, microentrepreneur from the United States
Introductions by Kathy Waldron, Vice President, Citibank N.A.

Speakers:

- Bella Abzug, President, Women's Environment and Development Organization
- Dr. Harka Gurung, Director, Asian and Pacific Development Center
- Poul Groesen, Executive Secretary, United Nations Capital Development Fund
- P.A. Kiriwandeniya, Chairman, Federation of Thrift and Credit Co-operative Societies, Ltd.
- Ellen Johnson Sirleaf, Director, Regional Bureau for Africa, United Nations Development Program
- Wakako Hironaka, Member, House of Councillors, Japan
- Mazide Ndiaye, President and CEO, FAVDO

Council Meetings

10:00 - 11:30 am

Delegates and observers should attend the council meeting appropriate to their institution. Please see room assignments on page 5.

Lunch Break on Your Own
11:30am - 1:30pm (*Exhibit Hall B*)

Closing Plenary

1:30 - 3:00 pm
The Sheraton Ballroom

Performance by Ganga, music from India
Video of Ramila and Moti Parmar, microentrepreneurs from India
Introductions by Sam Daley-Harris, Director, Microcredit Summit

Speakers:

- John Hatch, Founder, FINCA
- Dr. A. El-Bindari Hammad, Executive Administrator for Health Policy in Development, World Health Organization
- Prof. Dr. Winfried Pinger, Member of Parliament, Development Spokesman CDU/CSU, Germany
- Enrique Iglesias, President, Inter-American Development Bank
- James Gustave Speth, Administrator, United Nations Development Program
- James D. Wolfensohn, President, The World Bank
- Communique from Heads of State and Government:
H.E. Sheikh Hasina, Prime Minister of Bangladesh

Video with music by microentrepreneurs and their communities
Performance by a gospel choir from the United States

Acknowledgments

The Microcredit Summit Secretariat extends its deep appreciation to the many people who made this event possible. We wish to thank all of the funders, council members, organizing committee members, plenary speakers, panelists, co-chairs, volunteers, and everyone who offered feedback on the *Declaration and Plan of Action*.

We would also like to thank the following people for their contribution to the success of the Summit:

- Ambassador Tofiq Ali
Bangladesh
- Susan Beer
- Benita Hofstetter Koman,
BHK Arts Consultants, Inc.
- Robert Berg, IDC
- Eveling Bermudez
- Ambassador Fernando
Berrocal, Costa Rica
- Pam Boseman, WSEP
- Blair Brown
- Bill Burrus, ACCION
- Ambassador H.F. Campbell,
Ireland
- Ambassador Anwarul
Chowdhury, Bangladesh
- Peggy Clark,
The Aspen Institute
- José Contreras

- John Dahlberg
- Eliot Daley
- Shannon Daley-Harris
- Sheila Davie, RESULTS UK
- Dave Ellis
- Jorge Georgalos
- Representative Benjamin
Gilman, US Congress
- Hank Jackelen
- Joyce Jett-Ali
- Dorothea Jewell
- Richard Jordan
- Richard Kane,
Kane-Lewis Productions
- Kinko's
- Sallie Lee
- Kathy Morrell and Associates
- Lou Knowles
- Etienne LeGrand
- Michael Licht
- Cathy Little, RESULTS Canada
- Mohini Maholtra
- Martha Martinez
- Lynn McMullen, RESULTS US
- Teckie Ghebre-Medhin,
UNIFEM
- James Michel, Development
Assistance Committee, OECD
- Phyllis Minn
- John Mitchell
- Toshi Nagase, RESULTS Japan
- Robin O'Brien
- Vaughn O'Halloran
- Maria Otero, ACCION
International
- John Oyler, Institute of
Cultural Affairs
- Barbara Phillips
- Kim Posich
- RESULTS/RESULTS
Educational Fund Board
of Directors
- Beth Rhyne, Office of
Microcredit Development,
USAID
- Rob Rooy, Access to Credit
Media Project
- Leticia Sanchez Vega
- Frank Sanitate
- Craig R. Smith
- Gordon Starr
- Joan Sugarman
- Jean-François Tardif,
RESULTS Canada
- Kathy Thompson
- Laurier Trahan
- John Tucker, UNDP
- Stephen Valk
- Bruce Walker,
RESULTS Japan
- Nancy Wimmer,
RESULTS Germany
- Lawrence Yanovitch, FINCA

The following pages are messages from the four sponsors of the Microcredit Summit. Please join us in thanking them for their generous support.

CITIBANK IS PROUD TO BE
A LEADING SUPPORTER OF MICROENTERPRISE
PROGRAMS AROUND THE GLOBE



We welcome all MicroCredit Summit delegates and salute your efforts to ensure that 100 million of the world's poorest families, especially the women of those families, are receiving credit and other financial services for self employment by the year 2005.

CITIBANK 



CHARLES STEWART

MOTT FOUNDATION

The significance of microcredit globally goes far beyond loans made and repaid. It even extends beyond very poor families working their way out of poverty, malnutrition and illiteracy. Microcredit builds community. And it does so by linking people to each other's successes.

Indeed, there is perhaps nothing more gratifying than being a party to the pride that is so self-evident when an enterprising individual is able to create a unique product, produce and market his or her wares, or fill a service niche.

The Mott Foundation has had the exhilarating opportunity to play a part in that drama since the mid-1980s, when we began funding programs aimed at putting entrepreneurship within reach of low-income individuals in the United States. Early on we discovered a rich supply of budding entrepreneurs with big dreams, yet scarce resources. Still, they worked diligently, in warehouses, basements, garages and spare rooms, to fulfill their entrepreneurial passion.

The Mott Foundation strongly believes that there is much untapped entrepreneurial interest and talent in low-income communities throughout America — and the world. In fact, the Foundation has supported grassroots microenterprise efforts in Eastern Europe, South Africa, Latin America, and the United States. Microenterprise efforts are funded through both our Civil Society and Poverty program areas.

Our interests lay in expanding economic opportunity, reinforcing democracy and building self-worth. This work helps the Foundation fulfill its historic mission of building local communities that function for the benefit of their citizens.

Here at home, we remain committed to the idea that business ownership should be an option open to all Americans, regardless of socio-economic status. And abroad, we believe that microcredit can change lives and communities.

It is for this reason that we put our early support behind RESULTS Educational Fund, Inc. and its attempt to organize the Microcredit Summit. This international conference represents a unique opportunity to network the thousands of people who share a common interest in spreading the use of microcredit worldwide.

We are hopeful that this conference will result in a greater visibility for the international community of microenterprise practitioners and customers, an opportunity for learning about "best practices" internationally, and an increase in the resources devoted worldwide to this important work.

Microenterprise is a strategy that is simple enough to be understood and embraced, yet so resonates with the world's psyche that it engenders waves of demand and action in even the most demoralized communities. And while microenterprise development clearly echoes the economic forces facing low-income communities, perhaps its real genius is its simplicity. For self-employment suggests a set of small but achievable steps forward into the world economy. In summoning people to match their talent and labor with small amounts of credit, microenterprise development meets low-income communities where they are — introducing new opportunities to create work, income and assets, and thereby affirming human worth and dignity.

**Monsanto congratulates the
organizers and participants of the
Microcredit Summit**

**Through your support, people of the
world will achieve a better
quality of life.**

At Monsanto, we see quality of life for all people as more than a humanitarian effort. It is an economic imperative. Our future on this planet, both as a company and as a race, depends on economic, ecological and social balance.

We believe microcredit and other programs to help people become more self-sufficient are important steps toward eliminating the abject poverty that stands in the way of global sustainability.



MasterCard: Privileged to Be Among the Leaders Committed to the Microcredit Summit

MasterCard International is a proud sponsor of the 1997 Microcredit Summit. Our sponsorship reflects our belief that participating in microcredit is the global responsibility of businesses everywhere to help the world's poorest families pull themselves out of poverty. As we look at the barriers that affect the quality of life for families and youth throughout the world, nothing seems more fundamental than addressing the root causes of poverty—lack of knowledge, health, and resources.

We see the future of the world and its economies in the hands of our children. MasterCard works to aid youth through programs to enhance their health, education, and access to resources. As we look at the future of youth, we recognize that the Microcredit Summit and its long-term goal fosters hope and self-sufficiency—two of the most integral pieces in improving the standards of living of the world's poor. Microcredit's efforts support our own corporate social responsibility mission to educate and prepare tomorrow's world citizens for full economic participation in their communities.

As a leader in payments and technology, MasterCard works on behalf of its members worldwide to shape the future of money. MasterCard is already advancing the Microcredit concept through the MasterCard-ADEMI affinity program in Latin America. By applying MasterCard's technology and partnering with Banco Popular, a key member bank in the Dominican Republic, the program now enables previously "unbankable" entrepreneurs to make their payments through their co-branded cards, a service that is undoubtedly useful and beneficial to them and enhances their credibility in the business world.

Our goal at this summit is to share ideas, gain new commitments and learn how we may best support Microcredit to fulfill its mission. As with any worthwhile cause, there is much work ahead, but we believe microcredit will accomplish its mission. Congratulations to all involved in this extraordinary movement. We are privileged to be among the leaders committed to this effort.



Resources and Other Information

MEALS

The Microcredit Summit is not sponsoring any meal programs except for the opening night dinner Sunday, February 2. Participants who have not already purchased a dinner ticket, and wish to do so, may check with the cashier desk in the registration area to purchase a ticket.

Participants are responsible for securing all other meals. The hotel has several restaurants and food outlets in the main lobby area. In addition, a food court will be set up in the exhibit hall for the purchase of reasonably priced *a la carte* items during the breakfast, lunch and dinner hours.

AUDIOTAPING

Most Summit-sponsored program sessions will be audiotaped and tapes will be available on-site for purchase. The cost of each tape is US\$6. An order form is included in your participant packet, and audiotape sales will be set up near the registration area.

BUSINESS CENTER

KINKOS, in partnership with the Microcredit Summit, is pleased to provide a Business Center in Exhibit Hall B. For a small charge, Summit participants can submit requests for photocopying and faxing.

Business Center hours:

Saturday, February 1
8:00am - 10:00pm
Sunday, February 2
8:00am - 10:00pm
Monday, February 3
8:00am - 10:00pm
Tuesday, February 4
8:00am - 3:00pm

EXHIBITORS

We are especially pleased to acknowledge the important contribution of our exhibiting organizations. All Summit participants are encouraged to spend time in the exhibit area exchanging ideas, learning about new and innovative programs and technologies, and networking with some of the most influential organizations in the field of microcredit.

Exhibit Hours:

Sunday, February 2
10:00am - 9:00pm
Monday, February 3
8:00am - 8:00pm
Tuesday, February 4
8:00am - 12:00 noon

REGIONAL ROOMS

Regional Rooms are set up in the exhibit hall for Latin America, Africa, Asia/Pacific, and industrialized countries. These rooms are furnished with tables to allow each practitioner and NGO to display one stack of materials free of charge.

Chairs are available for *ad hoc* meetings and a large message board is provided for participants to post messages and to facilitate networking. The Regional Rooms are open during the same hours as the exhibit hall.

Groups wanting to reserve specific time slots for holding *ad hoc* and networking meetings in the Regional Rooms are asked to use the large sign-up sheet posted at the entrance to each. Time slots are only available when there are no other scheduled Summit activities.

OTHER RESOURCES

Each delegate or observer to the Microcredit Summit has been provided with a set of materials in order to foster learning, networking and commitment building. The participant packet includes: the Microcredit Summit Declaration and Plan of Action, a directory of institutional profiles of members of the Microcredit Summit Council of Practitioners, and an action plan worksheet. Each Summit delegate or observer is also welcome to one copy of the microentrepreneur video profiles featured at Summit Plenary Sessions. These videos are available at the main information kiosk in the Atrium.

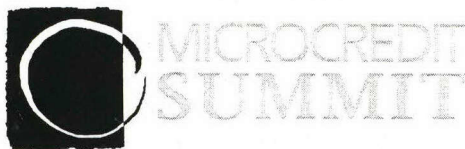
RESULTS EDUCATIONAL FUND

- an international grassroots organization dedicated to generating the will to end hunger and poverty - is the convener of the Microcredit Summit and is serving as Summit Secretariat. RESULTS Educational Fund has been promoting microcredit as an innovative tool for the eradication of poverty since 1986. The Educational Fund is the sister organization of RESULTS International.

SECRETARIAT STAFF

- Sam Daley-Harris, Summit Director
- Ayala Sherbow, Chief of Staff
- Lara Honrado, Media Director
- Jennifer Tobin, Senior Program Associate
- Barbara Weber, Special Assistant to the Director
- Kevin Olbrysh, Scholarship Coordinator
- Anna-Lisa Deggendorfer, Program Associate
- Ruth A. Hoffman, Program Associate
- Thomas McGregor, Program Associate
- Michael MacHarg, Media Associate
- Jennifer Robey, Media Associate
- Jill Clarke, Intern
- Jacki Lippman Drucker, Intern
- June Casalmir, Former Program Associate

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COUNCIL OF NON-GOVERNMENTAL ORGANIZATIONS

Mazide Ndiaye
President and CEO, FAVDO

The World Bank
Washington, D.C. 20433



Office of
James D. Wolfensohn
President

Tel.: (202) 458-2417

Fax.: (202) 522-1677

FACSIMILE TRANSMITTAL FORM

DATE: February 3, 1997

TO: Mr. Hany A. Assaad
c/o Claridges Hotel (Room 311)

FAX #: 011-44-171-499-2210

FROM: Caroline Anstey
via Wendy Plumley

No. of Pages: 8
(including this page)

MESSAGE: **Fax From Caroline**

Hany:

Attached is the fax from Caroline.

Will be in touch again later.

Wendy



**U.S. Government Statement on Microenterprise Development and Microfinance
For the Microcredit Summit, February 2-4, 1997**

This statement outlines the rationale behind the Clinton Administration's strong support for microenterprise development. It lays out a vision for the role of the public sector in supporting microenterprise development and outlines actions that this Administration plans to take.

The basis for any long term solution to poverty rests in the capacity of people to raise their own incomes. In the United States and in other countries, microenterprise development has been recognized as a promising approach for helping poor people to better their lives. The Clinton Administration sees microenterprise development, and concomitant efforts to provide financial services to microentrepreneurs, as important components of its community economic development strategy here at home and a priority in its foreign assistance strategy abroad.¹

The basic premise of microenterprise development is that the best and most plentiful resource for fighting poverty is the energy of low-income people themselves. In the past, social policy has sometimes disregarded, and thus failed to harness, this energy; all too often, anti-poverty programs have treated recipients as passive, thus reinforcing dependency. This Administration believes that giving people the tools and opportunities they need to increase their incomes themselves is the strongest approach, an approach that affirms the values of hard work and free enterprise while also helping to develop local communities.

The simple idea of bringing poor people's capacities to bear on overcoming poverty, which microenterprise demonstrates so clearly, resonates through many of President Clinton's policies: in education, training, social services, and in foreign assistance. This idea underlies the President's expansion of Head Start, his education initiatives, and expansion of the earned-income tax credit – to help families choose work over welfare, and to make work pay. By enabling poor people in the U.S. to enter the economic mainstream, we reduce the social cost of poverty, increase national productivity, and improve social conditions for all of us.

In our foreign assistance program, this idea underlies an increasing focus on incorporating the vast majority of the world's poor into economic growth strategies. By encouraging inclusive economic growth abroad, we create new markets for American exporters and investors and increase stability, thereby enhancing our national security. This simple, powerful idea, applied widely, is not only in the interest of the poor, it is in the interest of all Americans, no matter where they live or what their economic status may be.

Microenterprises are very small businesses, often owned and operated by low-income families. The term "microenterprise development" refers to policies and institutions that support the emergence and growth of such enterprises through a variety of means, ranging from finance, to training, to creating an enabling policy environment. "Microfinance" involves the provision of credit, savings and other financial products and services to low-income families, often in support of microenterprises, but also to meet other needs, such as housing or emergencies.

Microfinance is an area in which harnessing the energies of the poor has already borne fruit. During the past decade – in countries as diverse as Bangladesh, Indonesia, and Bolivia – financial innovations have emerged that allow financial services to be extended to people, particularly women, and enterprises previously regarded as “unbankable.” With these techniques, it has become possible to lend to very poor people on a businesslike, even profitable, basis. In developing countries, the potential demand for microfinance is enormous and virtually untapped. Just as the creation of the 30-year mortgage transformed home-ownership in our country earlier in this century, so microfinance techniques have the potential to transform the financial systems in many developing countries – from systems that serve primarily a small elite, to systems that serve the vast majority of ordinary people.

It is important to note the key assumptions underlying the Administration's domestic and international policies towards microenterprise development. In all arenas, they build upon the same key ingredients: the need to access capital, markets, new or appropriate technologies and training in basic business and life skills. Throughout the world, there is an overarching need to promote those policy and regulatory reforms that expand and democratize linkages to the formal financial system. Such efforts will help microenterprise development become an effective means of improving the lives of the poor on a significant scale.

Microfinance in the Developing World

The challenge facing microenterprise development globally is to learn from past successes and to bring microfinance to a sustainable scale. To meet this challenge, microfinance practitioners will have to use past successes as the basis for further transformation of the field.

To date, most innovation in developing microfinance has occurred outside the traditional financial system – with non-government organizations (NGOs), credit unions, and specialized financial institutions. Much of this innovation has been financed by government and international donors such as USAID, the World Bank and other multilateral development banks (MDBs), as well as private foundations. The promise of microfinance in the future, however, depends on its integration with the formal financial system. Fortunately, microfinance has the potential to make this transformation because microfinance services can be provided on a profitable basis. Profitable microfinance institutions will attract private investment, qualify to raise deposits from the public, and operate into the future without subsidies. In short, only profitable institutions will have the access to funds to enable them collectively to reach many millions of clients.

If microfinance is to make a difference to the millions of people around the world who currently lack access to financial services, it will have to move beyond the limited bounds of public funding, to full integration within the private financial market system. Three major efforts are needed to meet this challenge:

- NGOs and other specialized financial institutions should move increasingly away from donor dependence and onto commercial sources of funds, whether through linking to the

financial system or, if and where qualified, through mobilizing savings.

- Commercial financial institutions such as banks and finance companies should begin serving micro-level clients directly. These institutions have the funds and the infrastructure to reach millions of clients, but until now have lacked the techniques and the interest. There are signs that this is changing, as banks in places as diverse as Chile and Sri Lanka are developing their own microfinance services.
- NGOs and specialized institutions should continue efforts to reach the poorest clients, those in remote, rural areas, and those in need of extra social or economic services. Additional efforts are needed to develop innovative methods for reaching these groups on a sustainable basis.

Profitability is key to the future of microfinance. The role of the public sector – governments and international donor agencies – is to initiate and catalyze, through seed capital, technical assistance and policy changes, those changes that will make profitability possible. Public investment must be crafted to support the transition to commercial sources of funds. Several important tasks for donors and government follow from this conception of their role.

Governments, for the most part, should focus on providing the enabling environment for microfinance, through firm but supportive banking regulation and supervision and other legal and regulatory reforms, such as those to protect private property rights, which support the private sector. On the policy level, development of a microfinance industry is part of a continuum of financial sector reforms intended to facilitate economic growth – of micro- and small businesses, as well as medium- and larger-scale enterprises. The goal of governments should be to create financial systems that work and that are accessible. To the extent that governments do make direct investments, it should be in the development of microfinance institutions rather than through directly providing funds for microcredit.

Donors should leverage their limited funds by investing in the most promising microfinance institutions: those with greatest potential to reach large numbers profitably, or those pushing hardest to reach disadvantaged populations. This support should be based on clear performance targets that prepare microfinance institutions for increased reliance upon commercial sources of funds. Donor agencies must particularly avoid using their funds to postpone that time when institutions become financially independent. Together, donors and governments have an important function in promoting adherence to sound financial practices emerging in the international microfinance industry. Increasingly, these practices will become the standards that will serve as the foundation for the emergence of a larger, more mature financial system that serves the poor.

Microenterprise Development in the United States

The U.S. financial system is highly developed. It serves the majority of Americans who are employed in formal jobs. Self employment has grown as Americans seek to replace lost

corporate jobs, supplement incomes generated from minimum and low wage jobs and to create flexible and rewarding work environments. But even here, we are confronted with the need to continually extend the boundaries of the financial system to reach those who are more difficult to serve. Indeed, microfinance is just one example of this Administration's commitment to increasing the flow of private capital and other financial services to economically distressed areas.

- The Clinton Administration has reduced regulations and paperwork to make the Community Reinvestment Act (CRA) more effective for borrowers and less burdensome for banks.
- It launched the Treasury Department's Community Development Financial Institutions (CDFI) Fund to provide seed and expansion capital to community-based banks, community loan funds, community development credit unions, and microlenders.
- It has launched Empowerment Zones and Enterprise Communities around the country.
- It pioneered the use of the Unemployment Trust Fund as the source of self-employment allowances for individuals establishing their own businesses (as an alternative to drawing unemployment benefits while searching for employment).

Microenterprise development is a critical element of this picture. Microenterprise development programs in the United States are a grassroots response to the recognition that low-income people have the potential to build successful enterprises. It is a young, diverse field that operates with diverse types of clients who lack access to finance or business-related skills, including rural entrepreneurs, welfare recipients, dislocated or downsized workers, people with damaged credit histories, struggling entrepreneurs in distressed communities, and recent immigrants. Some need mainly access to credit, while others need help with basic education, technology, or business and life skills.

These characteristics of the microenterprise field – its youth, its diverse mix of clients and services, its placement within a well-developed financial sector and, above all, its grassroots origins – should be the factors that shape government's response. As in the international realm, the role of the federal government is that of a catalyst, helping to move the field forward towards still untested frontiers.

The federal government has an important role to play in defining how microenterprise fits into the national economy, and in ensuring that the policy environment is conducive to self-employment. In shaping support for microenterprise development, the Administration recognizes that initiative in this emerging field has and will continue to come from practitioners. Thus, support mechanisms should be as flexible as possible to allow continued methodological innovation, leading ultimately to a better understanding of what models are most effective. Creative partnerships between government and private entities will be needed.

Over the next five years, as the field of microenterprise development matures, government can assist in promoting and disseminating information about effective methods – “best practices” – and in supporting the emergence of performance standards. Fortunately, commercial banks and thrifts in the U.S., with the encouragement of the federal financial regulatory agencies and the Community Reinvestment Act, have begun to show a willingness to provide loan capital for microenterprise lending. However, government and private foundations continue to remain the chief sources of funding for institutional development and the ongoing operating costs of training, business and social development services that these programs provide.

Plan of Action in Support of Domestic Microenterprise Development

The U.S. Government is involved in several initiatives to support microenterprise development in the United States. Implemented by the Treasury's Community Development Finance Institutions (CDFI) Fund, these initiatives include:

- Direct funding of microenterprise loan funds through the CDFI Fund program. The CDFI Fund recently made financial awards to two microenterprise programs – ACCION Texas and FINCA USA – and also made investments in several other CDFIs that include microlending as part of their financing programs. The Fund is launching a significant training and technical assistance initiative that will enhance the capacity of CDFIs, including microloan funds.
- Administration of the Presidential Awards for Excellence in Microenterprise Development. President Clinton recently announced the first winners of the Presidential Awards for Excellence in Microenterprise Development. Each award winner exemplifies, in a distinct manner, the dimensions of excellence in the U.S. microenterprise development field.
- Coordination of the Federal Microenterprise Initiative, an effort to promote collaboration among the various federal agencies engaged in supporting microenterprise development. Currently, federal programs housed in agencies such as the Treasury, the Small Business Administration, and the Departments of Health and Human Services, Housing and Urban Development, Labor, and Agriculture support microenterprise development efforts. Interagency collaboration affords a concerted and focused federal effort to advance the development of the microenterprise field.

Plan of Action in Support of International Microfinance

The U.S. Government supports international microfinance through three principal mechanisms: the development assistance programs carried out by USAID; our support for and guidance to the multilateral development banks (MDBs); and our international policy dialogue with other governments through bilateral channels and in multilateral fora. The Clinton Administration is committed to utilizing all three of these channels to support microenterprise development and the expansion of microfinance services around the world.

USAID has been one of the recognized leaders among international donor agencies in its level of support for and expertise in microfinance. In 1994, USAID launched a Microenterprise Initiative designed to make microfinance a more prominent part of its economic growth strategy. Last year, Administrator Atwood renewed this initiative, under which USAID will continue to support microenterprise at annual levels similar to those in recent years, primarily through its overseas missions. It will deepen microenterprise strategies within each regional bureau and in many mission programs. USAID will also maintain a strong central program responsible for funding microenterprise programs of U.S. private voluntary organizations, carrying out research, development and information exchange, and training USAID and partner organization staff. As it works towards the goals of the Microcredit Summit, USAID will:

- Select institutions that show a high potential for reaching the poor while achieving financial viability in its funding decisions about microenterprise;
- Stress linkages to the formal financial system and explore ways to involve commercial financial institutions in microfinance;
- Place special emphasis on poverty lending, and ensure that more than half of all clients served will be women and that more than three-fourths of clients receiving microfinance services from USAID-supported institutions will be poverty-lending clients; and
- Apply performance targeting in its grants, and support the development of international financial performance standards for microfinance.

In coordination with USAID and other U.S. Government agencies, the Treasury Department promotes U.S. development policy through the multilateral development banks (MDBs), including the World Bank and the various regional development banks. The Treasury does this through the Secretary of the Treasury's role on the boards of governors as well as through the U.S. Executive Directors at each of these institutions. Treasury will continue to encourage the MDBs to improve mechanisms for the support of microfinance by:

- Encouraging the MDBs to work directly with governments, as part of individual country lending strategies, to devise the policy and regulatory frameworks supportive of microenterprise and microfinance, including reforms of property rights and labor and capital markets;
- Promoting microfinance institution-building, helping to expand financial intermediation by up-grading the capacities of NGO-sponsored financial institutions and developing new technologies to promote competition for microfinance business among regulated financial institutions;
- Developing sustainable, demand-driven training programs to provide the technical services (such as accounting and bookkeeping, regulatory compliance and marketing support) that can assist microenterprises to grow into businesses within the "formal"

economy;

- Developing innovative programs to channel funds, as appropriate, to entities engaged in microfinance; and
- With USAID, continuing to support the Consultative Group to Assist the Poorest (CGAP) – a multi-donor organization focused on microfinance housed in the World Bank – in its efforts to raise the quality of donor involvement in microfinance operations, mainstream microfinance programs within the Bank, exchange best practices, and develop industry standards.

The U.S. will also pursue its microenterprise development agenda in a variety of bilateral and multilateral fora. For example, at the December 1994 Summit of the Americas, President Clinton along with the Heads of State from 33 other democratic nations in this hemisphere, agreed that strengthened support for microenterprise and small business is a key component of sustainable and equitable development. This agreement laid the foundation for the Inter-American Development Bank's MICRO 2001 program which will build on the past successes with its global microcredit program and the small projects windows of the Inter-American Bank and the Multilateral Investment Fund.

At last year's meeting of the hemisphere's Finance Ministers, this commitment to microenterprise development was reiterated. The Ministers, led by Secretary Rubin, recognized that programs to improve the infrastructure and operations of financial markets are central to expanding small scale entrepreneurs' access to capital, and that microfinance institutions can facilitate the mobilization of savings to fund investment and broaden economic participation. They directed the Committee on Hemispheric Financial Issues, co-chaired by the Treasury Department, to address issues of microenterprise development as part of its broader financial market development agenda.

Through various multilateral efforts – such as the G7/G10 Emerging Markets Initiative on bank supervisory and regulatory reforms – as well as ongoing bilateral policy dialogues, the U.S. will continue to promote microenterprise development and the need to create supportive policy environments for microenterprises and microfinance.

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① Enabling Environments

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micro credit

100 million - Gorbachev & Perestroika
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IFC - Profound
in Latin America
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③ Partnership - T. Gorbachev

→ Change to Engagement

→ No Patronage - Dignity

→ Not unity in marginals in society
but citizens in society -

GAZA -

BOSNIA - Women
victims of
war



Sheraton Washington

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Been in job 18 months

→ Compensation - Burroughs

compensation



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Working to ensure that 100 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the year 2005

Honorary Co-Chairs

Hillary Rodham Clinton
United States First Lady

Tsutomu Hata
Former Prime Minister, Japan

Her Majesty, Queen Sofia
Spain

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*President
Women's World Banking*

Ela Bhatt
*General Secretary, Self Employed
Women's Assoc., India*

Margaret Catley-Carlson
*President
Population Council*

Michael Chu
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*Member, House of Councillors
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Kathy Waldron
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Muhammad Yunus, PhD
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**COMMUNIQUE ISSUED BY THE COUNCIL OF HEADS OF
STATE AND GOVERNMENT AT THE MICROCREDIT
SUMMIT AND PRESENTED TO THE CLOSING PLENARY
BY THE COUNCIL CO-CHAIR H.E. SHEIKH HASINA, PRIME
MINISTER OF BANGLADESH ON 4 FEBRUARY 1997**

We, the Heads of State and Government, and our representatives participating at the Microcredit Summit held in Washington, D.C. from 2 to 4 February 1997, recognize that collective human effort can produce extraordinary achievements. As we enter the twenty-first century with nearly a fifth of the world's population still living in absolute poverty and with nearly thirteen million children still dying each year from its effects, we renew our efforts to mobilize the dynamic energy of collective human will in the effort to end absolute poverty.

We believe that successful anti-poverty strategies must unleash the energies of people living in poverty and enable them to gain access to resources, including capital, to improve their situation – for themselves, especially their youth and children, and for the society they live in – which in turn would promote social justice, harmony and contribute to the consolidation of peace. We note that freedom from the bondage of poverty promotes education, health and increases the well-being of people. To this end microcredit has been found a most effective tool.

We join with other actors of society to launch the Microcredit Summit's global campaign to reach 100 million of the world's poorest families, especially the women of these families, with credit for self-employment and other financial business services by the year 2005. We recognize the campaign's commitment to the development of sustainable institutions which assist women and their families living in poverty, while at the same time creating an incentive for micro-enterprise activities and generating self-employment.

We believe that access of people to credit would enable them to work their way out of poverty with dignity, promote their effective participation in social, economic and political activities and would contribute to sustainable development.

We recognize that governments will need to play a crucial role in this movement and therefore, we welcome the Summit's Declaration and Plan of Action and expect to consult with leading practitioners to identify and implement best practices.

We bring our energies to this effort because we recognize that microcredit programmes are a key strategy towards achieving many of the goals, including the eradication of poverty and empowerment of women, agreed to at the major global gatherings of this decade, including the World Summit for Social Development in Copenhagen and the Fourth World Conference on Women in Beijing.

We call on all people of goodwill to join in the effort to expand the reach of credit for self-employment and other financial and business services to 100 million of the world's poorest families, especially the women of those families, by the year 2005. We believe this to be a critical next step in the effort to reduce overall poverty substantially and eradicate extreme poverty from the face of earth.

We believe that if we all work together, this campaign will become one of the great new chapters in human history and will allow tens of millions of people to free themselves and their families from the vicious cycle of poverty. We call on all donor countries, international institutions and other bodies involved in eradication of poverty to fully utilize the opportunities that could be provided by institutional microlending to people living in poverty, especially women.

We pledge to inform and educate our peoples about the effectiveness of microcredit and to be spokespersons for this remarkable development tool and the establishment, adaptation and reform of institutions that will be needed to ensure its expansion to tens of millions more.

We pledge to make our nations an example for this campaign and endeavour to ensure that half of the families who are among the very poor are participating in microcredit programmes by 2005.

We will make known to other leaders our commitment to this extraordinary effort for the eradication of poverty and empowerment of peoples living in poverty and to the campaign launched at this Microcredit Summit.

We will encourage other Heads of State and Government to join with us in the effort to arrive at the most important goal of our time.

Microcredit Summit Declaration of Support

Our purpose as an assembly is to launch a global campaign to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the year 2005. We commit to the development of sustainable institutions which assist very poor women and their families to work their way out of poverty with dignity.

To this end we endorse the efforts outlined below and pledge to assist with those that fall within the purview of our institution:

- ◆ Build institutional capacity to reach very poor people in developing countries by (1) strengthening existing microcredit, savings, and business development institutions through networking and exchange of experience, (2) preparing new practitioners through programs of training for social entrepreneurs and microcredit managers, and (3) promoting appropriate policy, legal and regulatory changes;
- ◆ Build institutional capacity to reach poor people in industrialized nations and in the economies in transition by (1) strengthening existing microcredit, savings, and business development institutions through networking and exchange of experience, (2) preparing new practitioners through a program of training for social entrepreneurs and microcredit managers, and (3) promoting appropriate policy, legal and regulatory changes;
- ◆ Develop, announce, implement, and update an Institutional Action Plan outlining how our institution will contribute to the fulfillment of the Microcredit Summit's goal;
- ◆ Enlist others in the campaign to meet the Summit's goal, promote a learning agenda and the exchange of best practices, and encourage the development and fulfillment of institutional action plans; and
- ◆ Work with the media to expand awareness, fuel implementation, and enlist new participants in the campaign.

The Summit estimates that up to US\$ 21.6 billion will be required to meet the estimated needs; the allocation of these funds being highly conditional on the absorptive and expansion capacity of the microfinance institutions to use the funds. The resources needed to achieve this goal will come from multilateral and bilateral donors, government agencies, grant making organizations, the general public, banks, financial markets and other commercial sources, and the savings, interest payments, and service charges of the microcredit clients and others in their communities.

Out of a commitment to these goals and to the spirit of the Microcredit Summit Declaration and Plan of Action, I sign below on behalf of my institution.

Signature

Title

Print Name

Institution

Country

Summit Council

Date



THE GROUP OF 77

New York
Office of the Chairman

**MESSAGE OF THE CHAIRMAN OF THE GROUP OF 77,
AMBASSADOR DAUDI NGELAUTWA MWAKAWAGO,
TO THE MICRO-CREDIT SUMMIT
HELD IN WASHINGTON, D.C., ON FEBRUARY 2-4, 1997.**

Mr. Chairman,
Your Excellencies,
Ladies and Gentleman,

On behalf of the Group of 77 whose 132 member countries straddle three of the world's six continents comprising two thirds of the world's population, we bring greetings to all the participants and our sincere appreciation to the organisers of the Summit.

As we enter the Twenty-first century, over one billion people of the world are afflicted by poverty. Yet the world is endowed with resources and riches which, if properly directed, could wipe out the scourge. Pious words or lofty declarations will not alleviate the plight of the poor people. What is needed are concrete actions which will empower them to help themselves. It is against that background that we view the Summit as an important milestone in addressing seriously this menace of the twentieth century.

In the Group of 77, we view the Summit as providing an enabling environment that will lead to many governments, UN agencies, NGOs, civil society and the private sector adapting the initiative to suit their policies and programmes.

As long as there are millions of poor out there there can never be reasonable peace. For peace can only thrive where there is justice. The poor have no self-esteem in a situation of extreme poverty. It is a fact that in extreme poverty we all lose our self-esteem. The eradication of poverty will ensure that humanity fulfilled itself.

At the 20th Annual Ministerial Meeting of the Group of 77 held in New York on September 27, 1996, the Ministers recalled that the United Nations had designated 1996 as the International Year for Eradication of Poverty. The Ministers further reaffirmed their commitment to the eradication of poverty and emphasized that commitments agreed upon at the World Summit for Social Development in Copenhagen should be fully implemented.

As we analyze the content of poverty in many countries especially the Least Developed and Africa, the majority of the poor are women. And to make matters worse all global efforts at restructuring of the economy has thrown more women out of the job market. Hence the term the feminisation of poverty.

Mr. Chairman,
Excellencies,
Ladies and Gentlemen,

This Summit can take the first crucial steps toward the eradication of poverty. The success stories of Bangladesh, where the Grameen Bank experience is a clear testimony of what can be done with modest approach. Already many countries in the Group of 77 have introduced the Grameen philosophy with varying results. But what is clear is the poor know what is in their best interest. The international community should create the environment for helping the poor liberate themselves.

Once again, on behalf of the Group of 77, we wish the Summit not only success but also the laying of a foundation stone for the eradication of poverty from the face of the Earth. The world would be a better place if women are empowered and helped to advance themselves. Such empowerment will help families and humanity at large. It can be done if everyone played his part.

Daudi N. Mwakawago
Ambassador and Permanent Representative
of the United Republic of Tanzania
to the United Nations
Chairman of the Group of 77
New York.

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LETTERS OF SUPPORT FOR THE MICROCREDIT SUMMIT

"As Co-Chair of the Microcredit Summit Council of Heads of State and Government, I have the honor of inviting you to join me as a member of the Microcredit Summit Council of Heads of State and Government. As a member of the Council, I would look forward to having you participate with me in the first global Microcredit Summit, to be held in Washington, DC from 2 to 4 February 1997."

Her Excellency, Sheikh Hasina
Prime Minister, Bangladesh, October 27, 1996,
in a letter to 185 heads of state and government.

"...In my 24 years in the U.S. Congress, the work I have done to expand the reach of microcredit programs around the world is among the things for which I am most proud....I urge you to join me in supporting the Microcredit Summit by encouraging your government's participation in the Microcredit Summit."

Representative Benjamin A. Gilman
Chairman, House International Relations Committee,
August 1, 1996, in a letter to
168 Ambassadors to the United States.

"...microcredit programs have brought the vibrancy of the market economy to the poorest villages and people of the world. This business approach to the alleviation of poverty has allowed millions of individuals to work their way out of poverty with dignity."

James D. Wolfensohn
President, World Bank, July 11, 1996
in a letter to the Chairs of 90 of the largest
banks and commercial financial institutions.

"Your country's support to and participation at the Microcredit Summit will be a vital endorsement for this great initiative and will reinforce our joint battle against poverty."

Ambassador Fernando Berracol Soto
Permanent Representative of Costa Rica to the UN
and Chairman of the Group of 77, July 23, 1996,
in a letter to 132 UN ambassadors.

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MICROCREDIT SUMMIT SUPPORT

I am personally, absolutely committed to this activity [microcredit]....I can see the importance particularly for women in Africa, and for women generally ...there is an initiative going on in which we're participating...to try and get to 100 million families by 2005--which means if we can get credit to 100 million families with six a family, that's half the population of the world living on under a dollar a day.

James D. Wolfensohn, President
World Bank

I fully support this bold initiative to launch a global movement to reach 100 million of the world's poorest families in the next decade with microcredit loans for self-employment...We are proud to join you and your partners in this noble endeavour.

Huguette Labelle, President
Canadian International Development Agency

Thank you for your invitation to serve as Honorary Co-Chair of the Microcredit Summit together with Hillary Rodham Clinton...I feel this is a worthy endeavor and I accept your invitation.

Tsutomu Hata, former Prime Minister of Japan
Member of the Japanese House of Representatives

Let me assure you that we will be happy to support you in making the Microcredit Summit a success. I share with you a deep enthusiasm for what this remarkable tool can be in the future for poverty eradication...The most appropriate role for UNDP will be to finance developing country participants from all regions in the world to ensure the Summit is as global as possible.

James Gustave Speth, Administrator
United Nations Development Program

[The] Microcredit Summit...is an important initiative and a crucial piece of the larger fight against poverty that the international community must support.

Carol Bellamy, Executive Director
United Nations Children's Fund

OVERALL MESSAGE

The Persistence of Poverty

- 1.3 billion live on less than \$1 a day - 70% of them women.
- 40,000 people die every day because of hunger-related diseases
- 50 million children are mentally or physically damaged because of improper or inadequate nutrition
- 130 million children don't go to primary school (80% of them girls).

And inequalities are growing

- Between 1960 and 1990 the incomes of the richest 20 percent grew 3 times faster than the incomes of the poorest 20 per cent. As a result the share in global incomes of the poorest 20 percent has fallen from 2.3% to 1.4%.
- In Latin America today, a quarter of the population lives in absolute poverty.
- In South Asia half the people over the age of 15 cannot read and write.
- And there are countries where the incomes of the wealthiest 10 percent can be 80 times the incomes of the poorest 10 percent.

The Bank is more committed than ever to poverty reduction

We know that broad-based sustainable economic growth coupled with improved access to education, health care and social services is essential for reducing poverty.

But the poorest of the poor lack access to even these basic services.

Urgent need to create opportunity, to bring people into the economic mainstream, and to do so in a way that respects human dignity.

Beauty of microcredit is that with a simple \$100 loan one begins to unleash human potential...and that in turn has an extraordinary multiplier effect - on the family, the village, the community...

My travels around the world have underlined 2 things:

1. that people retain a dignity and a desire to help themselves even among the most abject conditions. If that desire for self-help can be combined with opportunity, the results can be dynamic - not just economically but socially and spiritually.
2. that people have to be given the opportunity to do it their own way. We can't impose models cooked up in Washington, or London, or Paris which pay little or no attention to local conditions and local needs.

The beauty of microcredit is that it is so local, and that it puts people together with the private sector in a way which enables them to create *their* opportunities, to have their dreams and their hopes begin to take flight. The woman who has 3 cows today but dreams of adding sheep and maybe pigs tomorrow. ...

But for microcredit to maximize its potential capacity building is essential - ensuring the financial sustainability of institutions to reach the very poor is the major challenge.

Let me assure you that the Bank wholeheartedly supports the summit's goal of reaching 100 million of the world's poorest families, especially the women, with credit by the year 2005.

But none of us in this room can achieve this goal alone.

Vital importance of partnerships and of leveraging learning. Let me give you just one example. South Asia program of training whereby staff involved in poverty reduction programs which include microcredit (10 in Pakistan) spend 2 weeks in the field being trained by NGOs - this will be followed up by similar training programs in Sri Lanka and Bangladesh).

What is the Bank's contribution?

Bank's 3 pronged strategy

1. creating the enabling environment - comparative advantage of policy dialogue with governments, legal and tax reform, creating a level playing field for microenterprises;
2. lending where appropriate - \$100 million loan to Government of Bangladesh to be wholesaled through P-KSF; equity and quasi-equity investments - IFC investment in Profund and KREP in Kenya.
3. **Participation in multidonor efforts - CGAP** - best practice; mainstreaming within Bank operations.

40,000 people dying each day because of hunger-related causes and 50 million children being physically or mentally damaged because of inadequate nutrition is quite simply a human toll which we can no longer afford to pay.

Micro-finance isn't a panacea. All of us in this room know how important macroeconomic fundamentals and investments in education and health continue to be. But the beauty of microfinance is that it offers us one way to bring down those numbers in a way that respects the resourcefulness, the self-respect and the independence of the human spirit.

*Self motivated women
entrepreneurs*

**James D. Wolfensohn
Micro-Credit Summit
February 4th 1997**

*- Banco Sol
- SEWA - in India
(Ela Bhatt)
- Grameen.*

Talking Points for the Luncheon

- Sorry to have missed the first two days. Have heard that the Summit has been a great success. Want particularly to thank Sam Daley-Harris and his team:

Members of the organizing Committee;

- Nancy Barry, Women's World Banking
- Ela Bhatt, SEWA in India
- Margaret Catley-Carlson, Population Council
- Michael Chu, ACCION International
- Connie Evans, Women's Self Employment Project in Chicago
- William Foege, Executive Director, Task Force for Child Survival and Development
- John Hatch, Foundation for International Community Assistance (FINCA)
- Wakako Hironaka, Member, House of Councillors
- Ismail Serageldin
- Ellen Johnson Sirleaf, UNDP
- Kathy Waldron, Citibank
- Muhammad Yunus
Grameen Bank

*One instrument
as power?
bank's reduction*

*HARD - we
have had a number
of false starts.
We are here to learn
from financing -*

- And the staff in the CGAP Secretariat for providing comments on the Summit's Declaration and Plan of Action.
- Want to assure you that the Bank fully supports the goal of the Summit to expand microcredit services to 100 million poor families throughout the world.
- We know that broad-based, sustainable economic growth coupled with improved access to education, health-care and social services reduces poverty.
- But despite all the advances on the development front, over one billion people continue to live in abject poverty - 70% of them women; some 40,000 people die every day of hunger-related causes; and the bottom 20 percent receive only 1.4% of the world's income.
- Many of these people simply don't have access to basic services.

- Micro-finance isn't a panacea. It is, however, one effective instrument to reach the very poor. And the beauty of it is that it recognizes peoples' desire not to be the recipients of handouts but to help themselves. (Your observations of the importance of this - Women of Katwe, Uganda transforming banana peels into charcoal briquettes).
- But it isn't easy. Bank has learnt a great deal over the last 5 years after a number of false starts.
- Most important lesson we have all learnt is that building the capacities of institutions to reach very poor people and ensuring their financial sustainability is the major challenge.

+ TRAINING the People

What can the Bank bring to the micro-finance table?

1. Assistance in creating the enabling environment on which so much else depends

- ⇒ comparative advantage stemming from the fact that we work with developing country governments;
- ⇒ long record of creating an enabling environment for financial intermediation - this can now be adapted for micro-finance policy issues.
- ⇒ Leverage to put in place appropriate legal and regulatory frameworks. (Policy-mandated interest rate ceilings can preclude MFIs from recovering their full costs; regulatory frameworks with high and reserve minimum capital requirements may be inappropriate for MFIs seeking formal status and the right to legally collect deposits).
- And the Bank plans to step-up its micro-finance policy dialogue agenda within the context of its financial sector support programs.

2. Support for innovative approaches to wholesaling micro-credit:

- Success in Bank micro-finance initiatives depends on 2 key factors,:
 - ⇒ the willingness of the local government to take a loan to support viable micro-finance and;
 - ⇒ the existence of an appropriate structure on the ground for channeling Bank funding.
- The Bank's primary instrument for funding is through loans to governments - this requires that governments support the micro-finance infrastructure and channel funds to those who need it e.g. the \$100 million loan to the Government of Bangladesh to be wholesaled by P-KSF at concessional interest rates to retail micro-finance institutions.

→ Banks = NGOs

- Local initiative is key. To date it has been indigenous, generally non-governmental, institutions which have had the most solid achievements. The Bank recognizes the potential of these groups to administer Bank-funded micro-finance support and ensure that funds are directed to those MFIs that have the absorptive capacity and potential for viability.
- The Bank is exploring equity and quasi-equity investments in micro-finance institutions. IFC through its equity and quasi-equity instruments has recently invested in PROFUND in Latin and Central America, and in the newly formed K-REP Bank in Kenya. (Since 1990, K-REP has provided 20,000 loans, and achieved a repayment rate of over 97%, and recorded operational priority since 1993.)
- We also want to build bridges between the private sector/ commercial banking sector and micro-financiers and are exploring ways in which we can assist in this process.

3. Participation in multidonor efforts -Consultative Group to Assist the Poorest (CGAP)

- In June 1995 World Bank served as catalyst in creating the 24-member, multidonor effort. To date, the Bank has put in \$32 million.

Importance of CGAP for:

- ⇒ establishing best practice, forging partnerships, and strengthening donor co-ordination.
- ⇒ Supporting MFIs that are clearly moving towards financial sustainability.
- ⇒ Supporting the development of key tools that will improve the quality of microfinance - audit and financial standards, a data base of MFIs and a study of national and regional funds.
- ⇒ mainstreaming micro-finance within World Bank operations.
- ⇒ CGAP also represents an experiment for the Bank in testing a grant instrument to non-government guaranteed institutions.
- Underlying all this, however, is the need to learn from one another. The most important contribution of the Summit may well be that it enables us all to leverage our experience and move forward to tackle the problems of poverty in partnership.
- 40,000 people dying each day because of hunger-related causes and 50 million children being physically or mentally damaged because of inadequate nutrition is quite simply a human toll which we can no longer afford to pay. The beauty of microfinance is that it offers us one way to bring down those numbers in a way that respects the resourcefulness, the self-respect and the independence of the human spirit.



CGAP
THE CONSULTATIVE GROUP TO ASSIST THE POOREST
[A MICRO-FINANCE PROGRAM]

Henry
this is the paper
JD asked for.
CA

DRAFT

A REVIEW OF THE WORLD BANK'S MICRO-FINANCE PORTFOLIO

OCTOBER 1996
(REVISED EDITION, DECEMBER 1996)

Mike Goldberg, CGAP
Greg Chen, CGAP

A REVIEW OF THE WORLD BANK'S MICRO-FINANCE PORTFOLIO

EXECUTIVE SUMMARY

I. One of the objectives of the Consultative Group to Assist the Poorest (CGAP) is to mainstream micro-finance within Bank operations. This report provides the basis for that effort by reviewing the existing Bank portfolio of micro-finance activities (including both lending and non-lending operations) and available information on the project pipeline. In the context of this review, micro-finance institutions include organizations which take financial deposits or make loans in small amounts (usually less than \$1,000) and whose clients are, for the most part, low income households, self-employed, or engaged in very small productive or commercial operations.¹ A microenterprise typically is an informal sector business with 5 workers or less, and with fixed assets valued at less than \$10,000.

II. The Bank's micro-finance portfolio from FY91- FY96 includes 56 projects, with a total investment of \$713.5 million (\$428.9 million from IBRD loans and \$284.6 financed by IDA credits). After four years of declining investment in micro-finance activities, there was renewed interest in FY95 and FY96. The number of loans or credits approved with micro-finance activities jumped from 6 (FY95) to 12 (FY96), and overall funding grew from \$11.5 million in FY94 to \$87.8 million two years later.

III. A review of the Bank's micro-finance activities and pipeline reveal six major trends. First, interest is growing in borrower countries and Bank country departments which have not previously programmed micro-finance activities. Second, Bank operations with micro-finance components are under development in several large Asian countries, thanks in part to regulatory framework changes. Third, most projects use a two-tiered approach, with the Bank reaching micro-finance retailers through newly established wholesale institutions. Fourth, there are five project modalities which are used to deliver micro-finance services, including (i) financial sector loans, (ii) private sector development loans, (iii) rural finance, (iv) stand-alone micro-finance development, and (v) social funds. The most common are social funds and micro-finance pilots. The fifth trend is the high level of interest in micro-finance in Africa and the Europe and Central Asia (ECA) regions, both during the past six years and in the pipeline.

IV. The sixth trend is the increasingly important role of non-lending modalities, which directly affect the environment in which micro-finance institutions operate. These instruments include (i) technical assistance, (ii) regulatory framework and policy dialogues, (iii) grants for pilot operations, and (iv) economic and sector work [ESW], and (v) increased donor coordination through CGAP and at the borrower country level.

¹ This definition is based loosely on discussions with William Steel of the Africa Region. These definitions are used in the absence of official Bank definitions of these terms.

V. Other patterns have emerged from the portfolio review. Project size has decreased significantly since FY91 (with \$24 million average loan size²). In FY96, the average Bank funding for micro-finance (for both stand-alone projects and components) was \$7 million. Regionally, there has been an increase in the transition economies' participation in micro-finance activities. The Africa Region also led the way in micro-finance activities in recent years. Finally, while project documents (including Supervision Form 590s) rarely provide detailed information on methodologies and financial performance, all of the available evidence suggests strongly that with few exceptions Bank micro-finance operations do not employ "best practices" approaches.

VI. Based on these findings, seven recommendations are provided:

1. *Clarify policy guidelines.* As Operational Directive 8.30 is restructured, it is important to clarify policies to provide guidance on when subsidies are appropriate, how to incorporate micro-finance into financial sector reform, and the role of capacity building.
2. *Improve supervision and reporting.* The Bank should incorporate a few key performance indicators developed from best practices to supervise and report on micro-finance activities.
3. *Build Bank staff micro-finance technical capacity.* Bank staff need greater exposure to aspects of micro-finance project design and need to develop more technical skills in finance.
4. *More efforts in technical training for host country government counterparts and practitioners.* Additional efforts are needed from the Bank group to bring best practices to policy-makers and field-level practitioners.
5. *Review the experiences of micro-finance components in social funds.* The Portfolio Improvement Program is currently undertaking a review of social funds. Bank micro-finance operations can improve if they build upon the lessons learned from this exercise.
6. *Improve coordination and product development within the Bank Group.* Recent coordination on the Kenyan program K-REP by CGAP, ASTHR and IFC sets an important precedent, and the Bank Group should continue this type of coordination as it widens the scope of activities in micro-finance. It may also be timely for Bank management to consider a product management unit exclusively devoted to developing Bank micro-finance operations.
7. *Learn from and work with other donors.* The Bank is on a steep learning curve in the field for micro-finance, and would benefit from increased interaction with other donors who have more experience.

² This figure includes a \$125 million credit to Indonesia (BRI) for micro-finance, and when calculated without this credit the FY91 average figure drops to \$18.6 million still significantly larger than in FY96.

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Acknowledgements:

The authors of this review would like to thank Virginie Busck-Nielsen of PSD for her invaluable research in developing the database and Joyita Mukherjee of CGAP for detailed technical review. In addition a number of people from other parts of the Bank provided valuable insights, including Khalid Siraj (FSD), William Steel (AFTPS), Jacob Yaron (AGRPW), Bikki Randhawa (FSD), Meg Garlinghouse (PSD), Cecile Fruman (ASTHR), and James Hanna (LA3PS).

I. INTRODUCTION

1. This report examines the Bank's portfolio of micro-finance in four sections. The first section presents the Bank context for micro-finance activities for the past five years, as well as a description of the database used in this analysis. The second section provides an analysis of the composition of the lending portfolio from FY91 to FY96, including information on the number and scale of projects and component, the modalities, target group characteristics, and the range of financial services provided. The third section provides a qualitative assessment of the changing modalities of Bank lending and non-lending activities, and a discussion of broader trends in the portfolio. The final section offers specific recommendations for improving Bank micro-finance project and component design, implementation and monitoring.

A. The Micro-finance Context

2. Micro-finance has become a growth field for multilateral and bilateral agencies, development banks, non-governmental organizations (NGOs) and community organizations. In the context of this review, micro-finance institutions include organizations which take financial deposits or make loans in small amounts (usually less than \$1,000) and whose clients are, for the most part, low income households, self-employed, or engaged in very small productive or commercial operations.¹ A microenterprise typically is an informal sector business with 5 workers or less, and with fixed assets valued at less than \$10,000.

3. To advocates, micro-finance offers strategies to target households below the poverty line and deliver financial services in sustainable, participatory ways. There are an increasing number of micro-finance success stories, led by Grameen Bank in Bangladesh, Bank Rakyat Indonesia's Unit Desa system, BancoSol in Bolivia, Kenya Rural Enterprise Programme (K-REP), and the rural savings and loan movement in Benin. In a few countries, commercial banks have begun to consider microenterprises as a new market niche. However, in most cases, the promise of micro-finance has proven illusory, due to very high transaction costs, poor repayment, the lack of basic market infrastructure, and regulatory frameworks which limit on-lending interest rates.

4. In the late 1980s and early 1990s, the Bank lagged behind other multilateral and bilateral institutions and non-government organizations in micro-finance, continuing to work on a small scale with government ministries and development banks to support targeted lines of subsidized credit.² The 1992 Levy Report challenged the Bank to find new ways to do business in the field of finance, leading to Operational Directive 8.30 (on Financial Sector Operations). O.D. 8.30 set strict guidelines on the use of subsidies, advocated commercial on-lending interest rates, and emphasized performance benchmarks to track a project partner's long term financial sustainability. Due to difficulties in putting the guidelines into practice, particularly in terms of subsidies, institution building and savings mobilization, O.D. 8.30 is presently being recast.

¹ This definition is based loosely on discussions with William Steel of the Africa Region.

² For a summary of disappointing results in working with government development banks, see Yaron, Successful Rural Finance Institutions, (Chapter 1), World Bank Discussion Paper #150, 1992.

5. Against this backdrop, the Consultative Group to Assist the Poorest (CGAP) has completed a review of the Bank's micro-finance portfolio from FY91 to FY96 to (i) measure the scale of investment of over the past five years, (ii) identify trends, difficulties and opportunities in this field, (iii) develop a plan to meet Bank staff training needs and (iv) suggest new ways to do business more effectively. This portfolio review complements CGAP's work in developing relationships with leading NGOs, other practitioners and member donors, as well as ongoing economic and sector work and training activities conducted by the Sustainable Banking with the Poor initiative (ASTHR and AGR), Micro-finance Action Research on Sustainable Micro-finance Institutions in the Africa Region, the Finance Sector Development Department's (FSD) work on rural micro-finance, the Economic Development Institute (EDI), and recently, the International Finance Corporation (IFC).

B. Description of the Database

6. The Bank micro-finance database draws on a number of internal data sources, including staff appraisal reports³, project information documents, project descriptions, and task manager interviews. Bank micro-finance activities include those activities which provide funding or technical assistance in support of micro-finance development. The database includes projects and components in which microenterprises make up a significant share of clients, although they may not be the only target group. While this database continues to collect information on micro-finance activities this review includes only information available as of June 30, 1996, the end of Fiscal Year 1996.

7. The database includes projects from FY91 to FY96 which work directly with financial intermediaries in the provision of financial services to microenterprises (among other clients). In addition there are currently 34 projects with micro-finance activities in the Bank pipeline (from FY97 to FY99). However, the information on these projects is much more limited. In the future, the database will be expanded to track: (i) lending and non-lending activities which enhance the ability of microenterprise operators to improve management skills and gain access to inputs and production technology, and (ii) policy dialogue and activities which improve the regulatory framework for micro-finance institutions.

8. The Supervision Form 590s⁴ proved to be an inadequate source of information on the performance of micro-finance activities, especially components. The Form 590s rarely track trends in key financial performance indicators, making it impossible to identify and address operational problems in a timely manner.

³ Staff Appraisal Reports (SARs) are World Bank project preparation documents which outline project objectives, contents and terms.

⁴ Supervision Form 590s are World Bank project implementation supervision documents.

II. DESCRIPTION OF THE FY91 TO FY96 BANK MICRO-FINANCE ACTIVITIES

A. Scale of Bank Micro-finance Lending

General Trends from FY91 to FY96

9. The total amount committed by the Bank specifically for micro-finance activities during the FY91-FY96 period was \$713.5 million, with \$428.9 million from IBRD loans and \$284.6 financed by IDA credits. There were 56 Bank projects with micro-finance during this time.

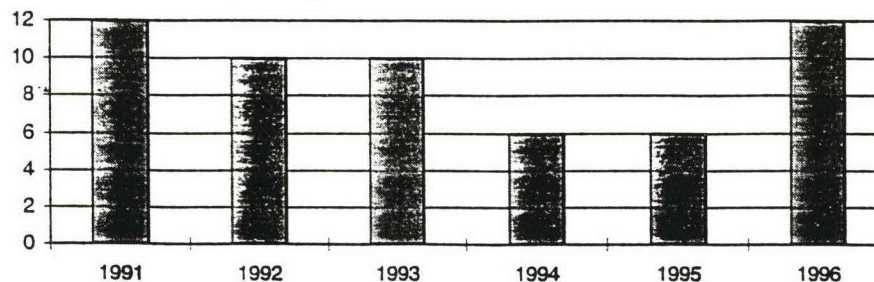
10. After a four-year trend of declining micro-finance investments, there was renewed interest in micro-finance programming in the Bank in FY95 and FY96. The number of projects initiated with micro-finance activities jumped from 6 (FY95) to 12 (FY96), and overall funding grew from \$11.5 million in FY94 to \$87.8 million two years later. This renewed interest is reflected in an increase in the number of projects rather than the size of operations. With rare exceptions, micro-finance activities remain a small component of larger projects, rather than stand-alone efforts. In regional terms, Africa and ECA have led the way. In sectoral terms, while agriculture dominated in the early 1990s, the portfolio has become increasingly diversified. The IFC has also become increasingly active in micro-finance programming, approving a \$1 million operation with K-REP Bank in Kenya, and working with the \$20 million ProFund which provides loans and equity for micro-finance in Latin America.

Number of Projects

11. The increased number of micro-finance activities reveals increased interest in this field. Over the six-year period, 56 projects were initiated (See Graph 1). There are 12 new projects in micro-finance beginning in FY96. This equals the previous high of 12 in FY91, and is significantly more than the number undertaken in FY95 (6). While the pipeline data from FY97 to FY99 is more sketchy, it suggests that interest remains high in micro-finance programming.

Graph 1

Bank Projects with Microfinance Activities

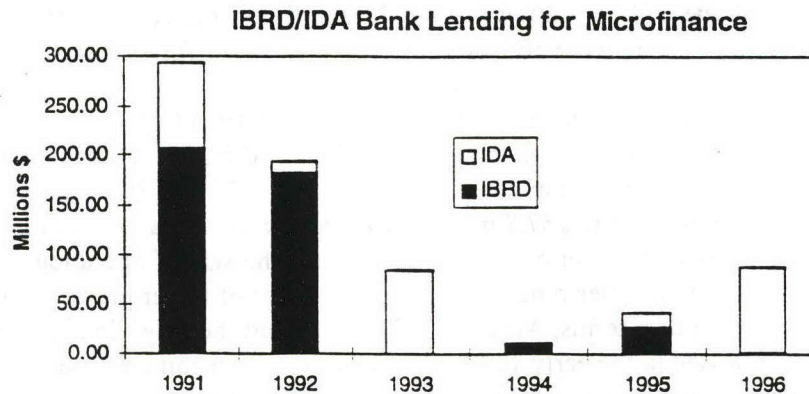


Funding Trends

12. The total amount committed specifically for Bank micro-finance activities during the FY91-FY96 period was \$713.5 million. However, this amount was not evenly distributed over

the six-year period (see Graph 2). Funding levels increased in FY96 compared to previous years. In FY91, led by a \$125 million loan to Bank Rakyat Indonesia, total Bank micro-finance lending amounted to \$293 million.⁵ By FY94, total lending for micro-finance activities had dropped to less than \$12 million. The investment began to grow in FY95 (about \$42 million) and continued to grow in FY96 (\$87 million)⁶.

Graph 2



13. The source of funds for micro-finance for the six-year period shows that both IBRD and IDA funds have been used (Graph 2). While 64% programming was covered by IBRD funds in FY95, all FY96 activities were funded by IDA.⁷ IBRD funds were also the main source of funds in FY91 and FY92, while IDA was the only source in FY93.

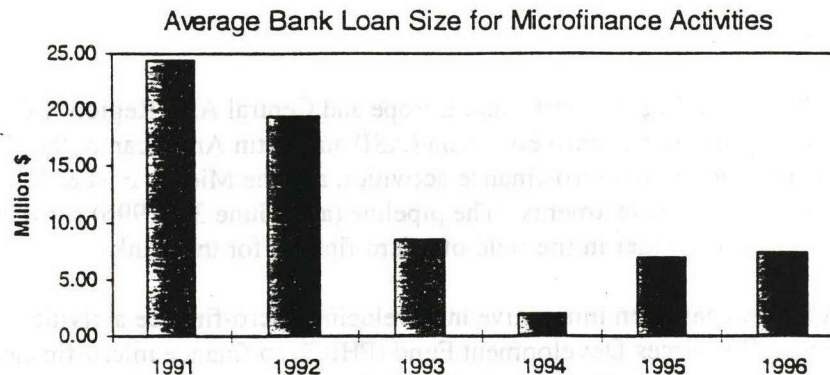
⁵ The BRI investment was an exceptional opportunity for a stand-alone investment in 1991. While its inclusion affects the amount of 1991 investment, the overall trend would remain much the same.

⁶ This figure excludes the \$30 million the Bank allocated to CGAP for a micro-finance facility, largely to support improvements in the institutional capacity of micro-finance intermediaries.

⁷ Technically, IDA covered more than 98% of the total in FY96.

14. The average amount of Bank funding devoted to micro-finance in FY96 and FY95 is about \$7 million per loan, slightly more than the average from 1993 to 1994. However, this level of investment is significantly less than the averages for FY91 (\$24 million⁸) and FY92 (\$19 million), as Graph 3 reveals.

Graph 3



B. Reasons for Micro-finance Lending Portfolio Changes

15. There appear to be four reasons for the decline in Bank micro-finance lending from FY91 to FY94. First, many task managers have gained a greater appreciation of the requirements for sustainable micro-finance operations. For instance, there is greater recognition of the limited absorptive capacity of micro-finance institutions in many countries, due to market imperfections, the policy and regulatory framework, and local institutional factors.

16. A second reason is that Bank financial sector policy discussions have evolved cautiously, as management wrestles with the role of subsidies and interest rate policies. O.D. 8.30 has led to more stringent internal review of proposed operations, and discouraged "business as usual" with state banks and other public sector financial institutions.

17. The third factor is that task managers have begun to seek new project partners, since many traditional partners are not able to meet financial performance levels required for sustainability. The change from state-run institutions to new partners has resulted in smaller scale operations. However, there have been problems with these new partners. Non-governmental organizations (NGOs) lack the absorptive capacity and scale to meet Bank objectives. Most commercial banks are not attracted to such lending opportunities, due to high start-up and operational costs.

18. A fourth reason is that many country departments are developing a financial sector policy dialogue with borrower governments, rather than launching specific micro-finance operations. While this slows down lending activities, it holds the promise of helping partner

⁸ This figure includes a \$125 million credit to Indonesia (BRI) for micro-finance, and when calculated without this credit the FY91 average figure drops to \$18.6 million.

institutions serving microenterprises become more sustainable by addressing limitations in the legal and regulatory framework.

C. Characteristics of Bank Micro-finance Activities

Regional Patterns

19. In FY96, the Africa Region (AFR) and Europe and Central Asia Region (ECA) led the way, with four and six projects respectively. Asia (ASI) and Latin American & the Caribbean (LAC) each had one project with micro-finance activities, and the Middle East & North Africa Region (MNA) made no such investments. The pipeline (as of June 30, 1996) shows that the Africa Region will remain a leader in the field of micro-finance for the Bank.

20. The ECA Region has been innovative in developing micro-finance activities, turning to the Policy and Human Resources Development Fund (PHRD) to finance micro-finance pilots prior to full scale project implementation. All five of the PHRD-funded pilots were in ECA. Another reason for ECA's increased interest in micro-finance as part of an economic growth strategy for transition economies. Five of the 12 projects in FY96 are transition economies. An important example is the micro-finance program in Albania coordinated with other multi-lateral donors (Box 1).

21. From FY91 to FY96, country departments which were historically active in micro-finance tended to become marginally involved. Both China and India initiated only one project during this period, with relatively minor micro-finance activities. Kenya⁹ developed no micro-finance projects or components, while Egypt only developed one (a social investment fund). The India Country Department has decided to take on some of the central institutional issues that have blocked improved performance in micro-finance initiatives, beginning with a very large scale effort in rural finance in FY97. The China Country Department began to experiment with a micro-finance pilot in FY96 (with another planned for FY97), but these are much smaller than the Rural Credit series of projects with the Agricultural Development Bank of China in the 1980s. Instead, attention has turned to policy dialogue, as the Bank assists the Agricultural Bank of China in a restructuring effort. The Vietnamese Agricultural Finance Project (FY97) has provided a major component for financing micro-finance, if the government adopts policy measures consistent with best practices. UNDP and CGAP are working together to provide technical assistance to the Government on micro-finance.

Micro-finance Services Provided

22. The services provided by Bank micro-finance activities remain highly concentrated on the provision of funds for on-lending to microenterprises. Savings remained relatively unimportant throughout the FY91-FY96 period, with only two FY96 projects supporting savings activities. Other interventions such as guarantee funds, non-financial business services, and technical assistance to microenterprises were relatively unimportant when compared to the provision of credit.

⁹ It is noteworthy that the micro-finance activities proposed in the Jua Kali project in Kenya was not approved, due to concerns from donors that it was too large and not well designed.

23. Recently, projects have pursued a two-pronged strategy, involving both micro-finance activities and elements of financial sector reform. In FY96, three of the 12 projects proposed financial sector policy interventions in addition to the provision of services to financial institutions to directly promote micro-finance.

Choice of Clients

24. The selection of clients can be examined from three perspectives: (i) urban/rural distribution, (ii) the type of enterprise, and (iii) enterprise operator characteristics (such as gender, age, and experience).

25. *Urban and Rural Clients.* From FY91 to FY95, 27 of the 36 projects which provide information on geographic composition of clients (75%) served only rural clients. Six projects (17%) addressed the needs of both rural and urban clients, while the remaining three (8%) served only urban microenterprises. This general pattern continues in FY96, and early indications show no change in the project pipeline.

26. *Enterprise Experience.* "Best practice" indicates that successful micro-finance projects work exclusively with enterprises that have existed for more than two years. Projects which serve start-up businesses typically face a much higher drop-out and loan default rate, due to the higher level of risk involved in new ventures. Bank projects from FY91 to FY96 worked with both types of enterprise. Of those projects which provide data, 14 work with only existing enterprises, 3 serve only new firms and 7 provide services to both types of enterprises.

27. The size of the enterprises also is an important factor to analyze in the choice of clients. Most of the projects offer services to both SMEs and microenterprises. However, it should be noted that within the Bank there seems to be some confusion over the definition of microenterprise and where to draw the line with SMEs. (See page 2 for a working definition.)

The Methodology of Financial Services

28. Four aspects of financial services methodologies used in Bank micro-finance activities can be assessed: (i) the relative importance of savings mobilization, (ii) the term structure of loans (working capital or long term investment credit), (iii) the deposit interest rates offered to savers and the on-lending interest rates charged to subloan borrowers, and (iv) the use of group methodologies, mobile banking and other cost-effective, innovative service delivery models.

29. *Savings.* Savings mobilization can play a pivotal role in a micro-finance institution's evolution to full financial sustainability, providing a reliable, affordable source of loanable funds.¹⁰ It is often cited in ESW and academic research as the single most important financial service for the poor, as part of their income smoothing strategies. However, while most projects mention the importance of financial sustainability, details concerning the key role of savings are lacking. Only 14 of 56 projects (25%) from FY91 to FY96 mention savings as part of the financial services provided by project partners.

¹⁰ This assumes that the micro-finance institution meets legal requirements for savings mobilization and is prepared to establish the appropriate reserves to safeguard depositors' interests.

30. *Loan conditions.* There are three aspects to sub-borrower loan conditions: (i) the on-lending interest rate charged, (ii) the term of the loan, and (iii) the use of the loan (for working capital or long term asset acquisition). In recent years, projects have designed programs which charge a rate of interest that is set at or above market rates. Since micro-finance lending is often more expensive than traditional banking practices, it is reasonable to expect the interest rate to the microenterprise to be significantly higher than the market rate.

31. In Bank projects, the interest rate tends to be a positive real rate, aimed at covering the cost of funds and credit risk. Only 5 projects offered data showing negative real interest rates from FY91-FY96, and 4 of these were in FY91 and FY92. However, it is unclear in most cases whether the on-lending interest rate was pegged to an official rate or was set by the financial institution to cover the full costs of credit delivery (all operating expenses and the cost of capital).

32. The terms of the loans varied, with some projects offering three-month working capital loans and others stretching terms up to 15 years. The majority of projects fell within the 6 to 36-month range. Thirty one of the 56 projects (60%) reported data on loan use, with 19 of these (61%) offered credit for both investment and working capital needs. Eight offered loans for working capital only (26%) and another 4 projects (13%) only offered credit for investment capital.

33. *Delivery Methodologies.* The traditional delivery methodology is to provide credit lines through the branch system of state-run specialized agricultural or development banks and existing large scale cooperatives. As social funds and NGO participation become more popular elements of Bank projects with micro-finance activities, there is greater flexibility in the choice of methodology. The Bank micro-finance portfolio includes few examples of innovative, successful micro-finance methodologies with proven track records, such as the Grameen Bank joint liability group approach, SEWA's mobile banking in urban markets, and ACCION's urban microenterprise and market vendors system. One exception is the village banks methodology, included in a project in Albania (Box 1). There are also numerous efforts underway to provide "best practices" information to Bank staff, including the SBP Seminar Series, the Africa Region Seminar Series, the SBP/CGAP micro-finance practical and technical guides, and CGAP/PSD micro-finance training.

Box 1: Village Banks in Albania

Village Banks Methodology. The Village Banks methodology is a community-based system to deliver financial services to the poor, facing limited access to formal financial institution loans and savings facilities. Typically, a village bank serves 25 to 40 members. Developed by FINCA, and adapted to local conditions by CARE, CRS, Freedom from Hunger and other NGOs, the system is capitalized by loans from external sources (typically at market rates). Member savings complement these loans in the short term, eventually becoming the leading source of funds or as a means of leveraging funds from formal financial institutions. Individual members receive loans for working capital for up to six months, but the group's overall repayment record determines whether externally provided loans grow or are halted. Members elect leaders, who establish a minimum savings requirement, the system of incentives and sanctions to ensure timely repayment, and meeting attendance rules. While repayment and women's participation are often very high, some programs have not had adequate internal controls and external audits. There have been a few cases of "ghost banks", "ghost members" and other incidents of fraud.

Albania's Village Credit Funds. When Albania dismantled its agricultural cooperatives in 1992, the economic shock sent the agriculture sector back to a subsistence economy. The banking sector could

not provide credit to small scale farmers. This gap in the financial system presented an opportunity, but farmers were unwilling to join solidarity groups, which were reminiscent of government-organized agricultural cooperatives. There was widespread interest in doing something at the village level.

Within this context, village credit funds (VCFs) were created under the IDA-financed Rural Poverty Alleviation Project (1993). Village credit committees (VCCs) were elected by villages to manage these VCFs. According to the basic rules of the VCFs, if a borrower fails to repay a loan, the line of credit to the whole village may be suspended. Moreover, only a part of the village membership receives a loan in the beginning, those who expect access to credit in the future exert strong social pressure to insure prompt repayment from borrowers in the VCC.

As of December, 1995, 93 VCFs had been established, 4,300 loans disbursed (with average loan size of \$350), and repayment stood at almost 100%. Two lessons have emerged from this experience: (i) local traditions play a role in determining the methodology and (ii) access to credit can play an important role in a transition economy.

Source: Yaron, Benjamin and Piprek, draft document, Rural Finance Best Practices, Chapter 8, 1996.

D. The Pipeline of Bank Micro-finance Activities: FY97 and Beyond

34 According to the Bank's database as of June 30, 1996, there are 34 micro-finance activities scheduled from FY97 on. Limited information is available on these projects and components and it is unclear how many will actually reach the Board. This total does not include planned IFC investments or CGAP's growing micro-finance commitments. While it would be premature to identify trends, it is worth noting that many are pilot projects¹¹ and the Africa Region is likely to lead the way. At least eight include a pilot component. The evidence suggests a new emphasis on pilot micro-finance activities to test methodologies and gain experience in new regions. At least four are social funds and another two are micro-finance stand-alone projects. Another important initiative is a \$74 million stand-alone micro-finance project which is scheduled to begin in Bangladesh in FY97.

III. WHAT THE NUMBERS MEAN: TRENDS IN BANK MICRO-FINANCE ACTIVITIES

35. A review of the Bank's recent micro-finance project experience and pipeline reveals six important trends:

- (i) Non-lending instruments to promote micro-finance are becoming increasingly important.
- (ii) There are five primary types of lending projects which are used to deliver micro-finance services. The most popular are social funds and micro-finance pilots.
- (iii) Most projects use a two-tiered approach, with the Bank often reaching micro-finance service retailers through newly established wholesale operations.
- (iv) There is growing interest in borrower countries and Bank country departments which have not previously programmed micro-finance activities, notably Central Asian countries.

¹¹ A pilot micro-finance activity is small scale, tends to use an innovative approach to design and deliver financial services, and may reach a target group of clients often overlooked by Bank-sponsored projects.

- (v) The Africa Region has been the most active from FY91 to FY96 and is prominent in the pipeline.
- (vi) Bank operations are under development in several large Asian countries, thanks in part to regulatory framework changes.

A. Non-Lending Instruments Supporting Micro-finance Activities

36. There are five non-lending instruments increasingly used by the Bank to support micro-finance activities. These include (i) technical assistance, (ii) regulatory framework and policy dialogues, (iii) grants for pilot operations, (iv) economic and sector work (ESW), and (v) increased donor coordination through CGAP and at the borrower country level.

Technical Assistance

37. Technical assistance can be an important input into micro-finance project and component design. For example, the Bank has been instrumental in developing an enterprise development strategy for South Africa. This assistance came in the form of technical assistance and was not funded by a Bank loan. In addition, the Economic Development Institute (Box 2) is developing a series of regional workshops to disseminate micro-finance and non-financial services "best practices" in coordination with borrower countries.

Box 2: The Economic Development Institute (EDI) of the World Bank -- Initiatives for Micro-finance

EDI helps government officials share policy lessons, imparts skills to use resources effectively and helps to build civil society committed to sustainable economic reform. EDI uses two distinct approaches both of which have been employed to develop the field of micro-finance. The first is the delivery of national and regional workshops on micro-finance in collaboration with the Bank's external partners. EDI is also developing a training curriculum for micro-finance practitioners and policy-makers, and has completed the first draft of a micro-finance training guide.

The second approach is Grassroots Management and Training and Outreach (GMT) which EDI initiated as pilot programs in Tanzania, Malawi, Burkina Faso, Senegal, Nigeria and India. These six programs have strengthened the capacity of several hundred trainers working with NGOs, local training institutes and government to deliver management training for (mostly illiterate) women micro-entrepreneurs. Results show that GMT has helped participants to select more viable enterprises, plan business, increase savings and profits, and improve their creditworthiness. It has also empowered them to assume greater control over their lives. Based on the pilot program experience in Africa and Asia, GMT is being expanded to new groups in Africa, MNA and Asia. EDI will be conducting a series of regional training-of-trainers seminars and national policy and planning workshops in Africa, MNA and Asia in 1996 and 1997.

Grassroots Management Training and Outreach in India (WEMTOP)

WEMTOP's goal is to improve the income earning capacity of illiterate, landless women in rural areas and assetless women in urban areas of India. A WEMTOP steering group of leading practitioners in India was brought together to design a training strategy. Subsequently a local NGO, Udyogini, was formed to implement the program which works with local NGOs to extend training and follow-up support services to female micro-entrepreneurs. A comprehensive evaluation and impact assessment has recently been completed. The impact assessment evaluated GMT business training recipients as compared to a control group and concluded that business training: is valued by poor entrepreneurs, increases incomes significantly, facilitates access to credit, improves record keeping, and positively impacts the poor.

Source: Adapted from communications with Jerri Dell and Joe Pegues of EDI.

38. Technical assistance for improving the capacity of micro-finance institutions to develop, market and profit from financial services is considered by many experts to be an important investment, contributing to long term financial sustainability. However, in many Bank projects, it is difficult to identify the amount of funds allocated to these activities after a project has been launched.

Regulatory Framework and Policy Dialogue

39. The important role of the regulatory framework is increasingly appreciated by Bank staff considering micro-finance operations. Whether it is in a transition economy or West African setting, the regulatory framework determines (i) deposit interest rates, (ii) on-lending interest rates, (iii) equity requirements for financial intermediaries, (iv) savings mobilization limitations, (v) supervision standards, (vi) reporting, and (vii) reserve requirements.

40. To answer the demand for more information on supervision and regulation, CGAP co-sponsored a seminar with ACCION on Latin American bank supervision strategies and practices. Discussion focused on how institutions serving microenterprises could be held to certain standards, and the need for flexibility at different stages of portfolio development. For the West African Common Franc zone, CGAP sponsored a high level seminar for governments, local NGOs and donors which considered the repercussions and impact of the newly approved law¹² governing micro-finance institutions drafted by the BCEAO.¹³ This law was initially designed to regulate only credit union-type organizations, but its scope was then broadened in an attempt to include all micro-finance organizations, whatever their size or degree of formality. The law sets credit unions as a model and puts pressure on all organizations, even informal ones, to seek registration with the Ministry of Finance at an early stage. Furthermore this law refers directly to the regulation on usury rates, making it extremely difficult for financial intermediaries with microenterprise clients to cover their operating and financial costs. An example of the conflict between interest rate ceilings and full cost recovery faced by a Bank project design team in Ethiopia is found in Box 3.

Box 3: Regulatory Framework vs. Full Cost Recovery

The Ethiopia Social Rehabilitation and Development Project proposed a micro-finance component of approximately \$10 million to "create and develop self-sustaining micro-finance institutions to provide financial services to the entrepreneurial poor". Local financial intermediaries, including existing NGO projects in poor regions, would qualify for training, administrative grants to cover a share of operating expenses, and, for those with a proven track record, a line of credit. Performance criteria for repayment and cost coverage were established, with superior performers rewarded with matching funds of commercially priced resources in the form of a line of credit (eventually reaching an 8:1 match).

Since many of the poor regions did not have adequate infrastructure, the projected costs of operations were to be very high. It was apparent that the high costs would require institutions to charge an interest rate well above the local commercial rate to attain financial efficiency, even in the long-run projections. However, the government was sensitive to potential criticism that funds for poverty assistance were to be priced above the local commercial bank interest rate. The government was skeptical that there

¹² Loi portant reglementation des structures mutualistes ou coopératives d'épargne et de crédit.

¹³ BCEAO stands for Banque Centrale des Etats d'Afrique de l'Ouest. BCEAO is a regional Central bank system headquartered in Dakar, Senegal.

was a large enough market, at such high interest rates, for a micro-finance program to operate at efficient scale and the component was dropped.

Source: Discussions with Ethiopia Country Department

Pilot Activities

41. Funding for pilot activities shows a clear increase in the last year and increasingly in the pipeline as well. Pilot projects are often undertaken as preparation for a larger Bank loan and can greatly improve the future performance of micro-finance activities. Since they are often funded by special grants, these represent a non-lending model which can collect critical information before a full-scale effort is undertaken. The Albania Rural Poverty Alleviation Project (Box 1, page 9) began as a pilot, testing the acceptance of a village banks model before taking the effort to a larger scale as part of a Bank lending operation.

Economic and Sector Work

42. A fourth non-lending instrument is Economic and Sector Work (ESW). The Sustainable Banking with the Poor (SBP) initiative of ASTHR and AGR has produced a series of technical papers and case studies of leading micro-finance programs throughout the world. More than 200 institutions have provided financial performance and outreach information, which reveals the need for micro-finance performance standards. The Action Research in Micro-finance in Africa Program has reviewed leading programs and begun to develop a regional program database. FSD has done a series of case-studies of different micro-finance intermediaries. Finally, a seminar series on non-financial services has been developed by AFTHR, with assistance from CGAP.

Donor Coordination

43. The Bank took a major step forward in donor coordination, with the establishment of the Consultative Group to Assist the Poorest (CGAP) in June, 1995. The CGAP Secretariat is housed in the Private Sector Development Division. CGAP has become a focal point for micro-finance "best practices" dissemination within the Bank and with micro-finance institutions and networks. CGAP includes 23 donor members, thanks largely to a recent expansion in European donor participation. CGAP has established seven working groups to conduct research on critical issues, such as savings mobilization, donor lending instruments for micro-finance, and mainstreaming and dissemination of "best practices". During its initial funding, more than 50 proposals were submitted by national and international NGOs, commercial banks and networks. CGAP Secretariat staff discussed many of these proposals with member donors, to avoid duplication of efforts and heavy concentration of investment in a few institutions. As of December 31, 1996 CGAP has approved \$9.6 million in grants to some 14 micro-finance institutions, primarily for capacity building purposes. CGAP's objectives are listed in Box 4.

Box 4: CGAP Objectives

The objectives of CGAP are to:

- * Strengthen donor coordination in the field of micro-finance.
- * Increase learning and dissemination of best practice for delivering financial services to the poor on a sustainable basis.
- * Mainstream micro-finance within World Bank operations.

- * Create an enabling environment for micro-finance institutions.
 - * Support micro-finance institutions that deliver (or are capable of delivering) credit and/or savings services to the very poor on a financially sustainable basis.
 - * Help established providers of micro-finance to assist others start such services in under-served regions.
- Source: CGAP Focus Note #1, February, 1996

44. An example of donor coordination in a borrower country is found in recent Bank participation in micro-finance development discussions in the West Bank and Gaza Strip, Bosnia and China. In the West Bank and Gaza, a number of bilateral and multilateral donors, including the Bank, have developed a coordinated micro-finance development approach. A second recent example is in Bosnia, where the Bank has organized micro-finance activities with Soros Foundation and other development agencies. In Vietnam, CGAP and UNDP have jointly provided technical assistance in relation to a rural finance loan. Finally, in China, CGAP is co-sponsoring a conference on micro-finance with the Ford Foundation, UNDP and a local NGO in October, 1996.

45. It is difficult to quantify some of the investments and returns from donor coordination and other non-lending activities. However, it is likely that these activities will become more important tools for the Bank's micro-finance efforts in the future. Improved information on these non-lending activities will contribute to a fuller understanding of the Bank's role in micro-finance.

46. The Bank has also been coordinating with other donor agencies on micro-finance issues through the Committee of Donor Agencies for Small Enterprise Development and the Donors' Working Group on Financial Sector Development, both chaired by the Bank. These groups have issued a document entitled *Micro and Small Enterprise Finance: Guiding Principles for Selecting and Supporting Intermediaries*". This document represents a consensus among donors on best practice guidelines for operating, supporting and monitoring micro-finance institutions.

B. Lending Modalities: The Rise of Social Funds and Micro-finance Pilots

47. The database shows that there have been five basic types of Bank loans used to deliver micro-finance services in recent years: (i) private sector development projects, (ii) rural finance projects, (iii) financial sector development projects, (iv) stand-alone micro-finance projects and (v) social funds.

48. *Private Sector Development Projects.* Private sector development projects usually provide a line of credit through existing organizations to private enterprises. This is done by working with a national bank at the wholesale level which loans funds to formal financial intermediaries which directly provide financial services. These projects concentrate on the delivery of credit rather than financial sector development. These projects focus primarily on SMEs.

49. *Rural Finance Projects.* Rural finance projects are often coordinated by state banks (usually as retailers through an agricultural bank system) or ministries, which serve as wholesaler to local institutions. The goal of these projects is often to lower transaction costs and strengthen rural financial intermediaries or to provide financing for agricultural production. The micro-finance portion is usually quite small (about 7% in two planned pipeline projects). While small

farmers may be served by the state bank or financial intermediaries, microenterprises are usually served by retail financial intermediaries and NGOs.

50. *Financial sector development projects.* There is limited information on micro-finance activities within the context of large financial sector development loans. These loans have not included micro-finance components in the past, but two are in the pipeline. One advantage is that these projects include policy initiatives, putting micro-finance in a financial systems framework. These have the potential to become an important new vehicle for promoting micro-finance development.

51. *Stand-alone micro-finance projects* are found in the FY91-96 period as well as in the pipeline. However, they remain a relatively small proportion of the overall portfolio. Stand-alone projects target microenterprises exclusively and focus on developing specialized services through micro-finance institutions.

Social funds

52. Social Funds remain a very popular means of providing financial services to low income households. These funds are often set in countries undergoing major social adjustments, with four of the seven social funds in the pipeline set in war-torn or transition economies.¹⁴ Social funds are attractive because they target households below the poverty line. Characteristics of social funds include: (i) targeting households and regions by per capita income and the national poverty line, (ii) a focus on two to three activities [usually including health and nutrition, community infrastructure, and income generation or micro-finance], (iii) emphasis on community participation and group delivery mechanisms, and (iv) the use of government agencies and NGOs as delivery mechanisms. The proportion of project funds allocated for micro-finance activities is small, around 10%.

53. Many micro-finance experts have expressed doubts about the effectiveness of social funds as a delivery mechanism for micro-finance activities. Social funds simultaneously provide heavily subsidized or free services to the household (such as health and infrastructure services) and contractual services requiring repayment (such as credit). The objectives of social fund micro-finance activities tend to concentrate on the disbursement of loans to borrowers and are rarely focused on the development of more sustainable financial systems. Box 5 provides an analysis of social funds as a modality for delivering financial services to poor households.

Box 5: Social Funds and Micro-finance Service Delivery

Social funds are an increasingly popular means of providing financial services to low income households in rural communities. The Bank has promoted their use in countries as diverse as Chad, Guatemala and Albania. While they may prove effective in providing nutrition activities and local infrastructure construction, there is reason to doubt the effectiveness of social investment funds as a mechanism for the sustainable delivery of financial services to low income clients. There are four major problems: (i) the risk of political pressures, (ii) conflicting messages about cost recovery, (iii) emphasis on loan disbursement, rather than loan recovery or savings mobilization, and (iv) lack of diversification of intermediary channels.

¹⁴ Social funds are also called social emergency funds, social investment funds, and social rehabilitation and development funds.

(i) The Risk of Political Pressure Social fund "best practice" suggests that the implementing agency should be run in a businesslike manner, completely independent of political pressures. The independence of a social fund can be measured in terms of staffing, budget, subproject criteria and selection. In practice, however, social funds are often operated by a ministry or the Office of the President. A reputation for political selection may discourage participation from well-established NGOs. An example is the Janasaviya Trust Fund Project in Sri Lanka, where major NGOs with strong outreach networks and sound performance were not invited to participate during the initial phase, due to political differences.

(ii) Perception of Recipients vs. Clients A second problem arises when micro-finance is offered as an adjunct to social services. In the context of a social fund, it can be difficult to draw a clear distinction between recipients (who receive benefits for little or no cost) and clients, who pay for the value of the service. Health, nutrition and infrastructure are "one way transactions", in which recipients do not make long-term financial obligations. However, financial services are more effective when (i) services are offered as a "two-way transaction" [or contract] and (ii) self-selection takes place to insure participation of only those who have potentially profitable ventures and would be responsible clients.

(iii) Savings: Missing Half of the Equation Many social funds are used as disbursement channels, but the foundation for sustainable local financial intermediation (e.g. savings mobilization) is overlooked. Social funds can build in dependence on a constant stream of government or donor grants, rather than building local autonomous financial institutions. Only 4 of the 13 social funds offered savings services, and only 1 of these was able to accept voluntary deposits.

(iv) Lack of Diversification of Intermediary Channels Most social funds use NGOs as the intermediaries for financial services when more appropriate institutions such as local banking institutions may be more effective institutions for delivering micro-finance services.

Honduras: A Successful Social Investment Fund

The Honduran Social Investment Fund (FHIS) is one of the few that has achieved most of its objectives, according to a 1994 Bank evaluation. Five factors have been contributed to FHIS success: (i) deliberate restraint by the authorities, (ii) executive directors with significant management experience, (iii) good salaries and lack of tenure for staff, (iv) frequent donor monitoring and audits, and (v) clear procedures and targets. For micro-finance activities, the FHIS reinforced existing financial institutions' management systems and increase their outreach, while emphasizing repayment.

Sources: Performance Audit Report, Honduras (Social Investment Projects I and II), January 26, 1995, pp. 18-20, 27; Participation Sourcebook, Chapter IV. 1995.

Micro-finance Pilot Projects

54. Since they can be developed in any of the five project modalities described above, pilots are an increasingly popular way to implement micro-finance activities. Pilots are an appropriate means of testing new partnerships, innovative methodologies and the performance of groups of clients often overlooked by formal sector financial institutions (such as households below the poverty line). They are most often found in agriculture and integrated rural development projects. Pilots are underway in Cote d'Ivoire, Albania, Tunisia and Zambia, and in the pipeline for a project in northwest China.

55. Most of the micro-finance pilots are too new to analyze their performance, but there are several good reasons to encourage pilot activities. In some cases, borrower governments and Bank staff are not familiar with micro-finance alternatives, and prefer a more cautious approach. In other situations, Bank clients prefer traditional approaches (such as channeling lines of credit

through state-owned banks), which Bank staff may consider ineffective in providing sustainable financial services to microenterprises.

56. Pilot activities are a useful way to gain firsthand knowledge about local microenterprises, alternative financial service delivery models, the performance and capacity of existing institutions, and specific aspects of the local regulatory framework. Pilots and action research can be used to learn more about rural financial service delivery costs (e.g. action research under the Ethiopia Social Rehabilitation and Development Fund) and urban market niches (e.g. a project under development in Algeria). In the Ethiopian case, a pilot phase revealed that individual lending to urban microenterprises was not viable, due to low recovery rates.

Choice of Institutional Arrangements

57. *Two-tiered Structures.* A two-tiered structure is typically used to implement Bank micro-finance activities. The upper level is often a national organization created by the Bank project to serve as a wholesaler, channeling funds, and technical assistance to a number of financial service retailers. Second-tier organizations channel resources to and monitor multiple first-tier organizations, based on a set of organizational and performance guidelines developed during the preparation of a project. The system offers the Bank a unified reporting system and promises to provide a multiplier effect by reaching large numbers of retailers over time. Second-tier organizations include: (i) apex facilities or quasi-governmental organizations, (ii) units in government ministries, and (iii) units in state banks.

58. The lower tier (retailers) provide financial services directly to low income households through innovative techniques (such as mobile banking, village banking or joint-liability models). First-tier institutions include NGOs, financial intermediaries, state agencies and branches of the state bank. First-tier institutions exist prior to the Bank activities and are chosen based on their financial performance and existing links to the target group. These retailers must meet specific eligibility criteria and project guidelines, although it is often not clear from project documents (such as Supervision Form 590s) whether appropriate performance indicators determine continued access to funds and technical assistance. Box 6 provides the eligibility criteria for retailers developed by the Ethiopian Social Rehabilitation and Development Fund Project (ESRDF).

Box 6: Eligibility Criteria for Financial Institutions (ESRDF)

Eligible institutions must demonstrate significant levels of resource mobilization (generally through savings), good performance in loan administration, and high rates of loan repayment and cost recovery. These institutions will clearly demonstrate that they have:

- * at least six months experience in active lending
- * a lending operation providing credit at interest rates sufficient to cover the imputed costs of efficient micro-lending (administrative and overhead costs, cost of funds and loan losses)
- * at least a 90 percent on-time repayment rate
- * loan losses below 8 percent
- * a realistic business plan for achieving operational self-sufficiency within five years of entering the micro-finance program, and steady progress toward that goal
- * mobilized member savings equal to at least 20 percent of the value of the outstanding loan portfolio, as loan loss reserve on deposit at a licensed bank
- * certified audits of the accounts undertaken by an external, licensed auditor

* a reputation for honesty, good leadership and sound management, reflected in the general confidence of the community in which services are offered.

Source: Draft Operational Manual, Ethiopia Social Rehabilitation and Development Project, Jan. 1996.

New Entrants in Micro-finance

59. Building on increased activity in FY96, interest in micro-finance activities appears to be growing in the project pipeline.¹⁵ Several country departments have added micro-finance activities to their project pipeline for the first time, including Bosnia, Tajikistan, Jamaica and Turkey. Asia leads the way in the 1997 pipeline, with large scale projects under development in India, and Pakistan. There is also a Grameen replication pilot in an integrated poverty project in Northwest China.

Increased Interest from Large Borrower Countries

60. In many large countries, recent changes in institutional and regulatory arrangements may make pilot and large-scale micro-finance operations more attractive. In India, policy discussions between the Bank and the Indian Government's National Bank for Agriculture and Rural Development have led to inclusion of innovative approaches to rural financial intermediation in a Bank project under development (See Box 7). In China, the new Agricultural Development Bank of China and the rise of rural credit foundations could provide opportunities to move beyond traditional supply-led credit allocation approaches to more sustainable models.

Box 7: The Power of Policy Dialogue: The Rural Finance Project in India

In a major departure from previous Bank projects in India, the Country Department has invested in a policy dialogue with the National Agricultural Bank for Rural Development (NABARD). NABARD has historically used heavily subsidized lines of credit to target low income clients in rural areas throughout the country. Initial resistance to interest rate reform has gradually decreased, thanks in part to discussions with the Reserve Bank of India on this critical topic. While the project is still under development, certain elements have become clear: (i) NABARD's use of market-priced sources of funds, (ii) a performance-based line of credit through commercial banks and regional rural banks, (iii) promotion of alternative financial services delivery models, including self-help groups, and (iv) a rating system to allow donors to compare the financial performance of NGOs.

Source: Communications with Colin Bruce of the India Country Department.

IV. RECOMMENDATIONS: WHERE DOES THE BANK GO FROM HERE?

61. There are seven recommendations which arise from this review of the Bank's micro-finance portfolio from FY91 to FY96 and the project pipeline. These are related to (i) policy guideline clarity, (ii) supervision and reporting, (iii) Bank staff capacity building and the skills mix, (iv) technical training for borrower country counterparts, (v) a review of social fund micro-

¹⁵ The pipeline often changes rapidly, as Bank and borrower country programming priorities shift. This analysis reflects the pipeline as of June 30, 1996.

finance component experiences, (vi) coordination within the Bank Group, and (vii) coordination with other donors.

62. Policy Guideline Clarity. As O.D. 8.30 is restructured as a series of operational guidelines, it will be important to clarify definitions and operational strategies. Many task managers and Bank management remain reluctant to develop significant micro-finance operations, in the absence of clear policies and operational guidelines. These new policies will provide detailed technical guidance on when subsidies are appropriate, how to incorporate micro-finance into national financial sector reform, the central role of capacity building of financial institutions with micro-finance operations, and other operational topics.

63. Supervision and Reporting. The existing Bank databases make it extremely difficult to identify micro-finance components, which are often part of much larger projects. Little information is provided concerning the scale, target groups, interest rate structure and other critical considerations which directly affect sustainability of the financial institutions. Small micro-finance components and pilots set the tone for larger operations in the future, and should be held to the same standards as stand-alone micro-finance operations (in terms of interest rate policy, subsidies, investment in institutional development, targeting and other issues). Financial ratios and other key performance indicators should be included in the appraisal of a micro-finance component partner, and should be measured over the life of the project as part of routine supervision. While this may require additional supervision resources, the returns on such an investment can be enormous.

64. The current 590 forms do not provide basic information on interests rates and rarely track financial performance indicators, thereby failing to identify problems as they develop. Instead, they track disbursement of Bank funds, which is not necessarily correlated with operational performance of the financial intermediaries. To remedy this need, the Operations Policy Department recently completed a handbook on performance monitoring indicators which provides a useful framework for designing effective project supervision. In addition, CGAP and the Sustainable Banking with the Poor initiative (of ASTHR and AGR) have collaborated on a Practical Guide for Microfinance, providing a detailed list of relevant monitoring indicators for micro-finance. This Guide will be completed in February of 1997 and will be field tested for the remainder of FY97.

65. Bank staff capacity building and skills mix issues. Bank staff have periodically been provided with technical training in various aspects of micro-finance project design and implementation, from identification of financial and other market imperfections to "best practices" and regulatory framework issues. There are several guest speaker series, covering a wide range of both financial and non-financial tools and project experiences. CGAP and SBP are collaborating on a micro-finance guide to provide a single source for micro-finance "best practices" and problem-solving tools.

66. These capacity building efforts would be more effective if the Bank's skill mix included more finance and business experience. To develop Bank interventions which are in line with current best practices staff will need to be better equipped technically, particularly in the area of finance. Improved documentation of ongoing experiments (including action research, pilots and innovative project designs) would be an enormous help to many task managers. Informal networks would also prove useful, especially for task managers working in regions with little previous micro-finance experience, such as transition economies in Central Asia.

Poverty reduction

Not accumulation -

Education plus - Health

Economic Marketing

Reach poorer / empower them -

{ Women in America
Challenges -

No change - Culture,

Practically
open to the
~~new~~ new new
syndicate on the
ground -
MILCO

Micro finance - one tool amongst many

① Environment - laws, regulations

Latin America in & new rights

② Funding → Govts

① Ray Bradbury

Washington P.K.F.

③ L.C.

③ C.G.A.P.

Cooperatives
etc.

- economic base working - man power it

- Participations

③

Standards -

Pr. Finance in
h. Rep. Amer.
in 1979

67. Technical training for host country government counterparts and NGO practitioners. EDI has begun to address this challenge, investing significantly in training of micro-finance trainers in different regions. These effort should make host country counterparts more receptive to innovative micro-finance approaches which offer outreach to the poor and long term financial sustainability. Technical training should present international experiences and provide keys to local adaptation, resulting in a higher degree of counterpart ownership in design and implementation stages of micro-finance activities. It should also bring policy reform priorities to the attention of government officials.

68. A Review of Social Fund Micro-finance Component Experiences. The Financial Sector Department (FSD) is undertaking a review the micro-finance components of social funds for the Portfolio Improvement Program. The review will assess the performance of the micro-finance components included in social funds, and provide specific technical suggestions on ways to improve the sustainability of these operations. This review will be completed in late 1996.

69. Coordination and Product Development within the Bank Group. Recent coordination on the Kenyan program K-REP by CGAP, SBP and IFC sets an important precedent for the division of labor to support leading micro-finance institutions. In some cases, capitalization grants are an appropriate tool (by CGAP), while other situations may hold the promise of equity investments (an IFC specialty). At the same time, MIGA's experience in the field of guarantees may offer valuable synergisms. While coordination takes time, it is the best way to provide micro-finance institutions with useful financial and technical assistance.

It may be timely for Bank management to consider a product management structure for micro-finance now that a private sector network is being developed. The product management group could be a unit similar in size and scope of activities as CGAP, but exclusively devoted to developing Bank micro-finance operations which conform with best practice guidelines.

70. Coordination with other donors. The portfolio review reveals that the Bank is on a steep learning curve in the field of micro-finance, and would benefit enormously from increased interaction with donors such as USAID and the Inter-American Development Bank. While micro-finance experts in the Bank are in constant contact with these and NGO practitioners, a wider Bank audience could learn from their successes and failures.

71. The Bank has the potential to become a leader in micro-finance in the next several years, if it can develop internal policies that move micro-finance operations from projects providing cheap credit lines to interventions that help build local financial intermediaries reaching low income clients. The Bank should play a role in promoting the investment required in building stronger partners, such as management information systems and financial institution staff training. At the same time, the Bank should further policy dialogue with governments to improve the legal and financial framework in which micro-finance institutions operate. Without these fundamental changes in the Bank's approach, micro-finance results are likely to be unsustainable.

Joint Declaration of the Councils of IFIs and Donor Agencies
Washington DC February 4, 1997

The members of the Councils of IFIs and of Donor Agencies, meeting in joint session on February 2 and 4, 1997; and partly joined by the Council on United Nations Agencies on February 2, 1997, have agreed on the following:

First: The Council members endorsed the general themes of the Micro-Credit summit, as captured in the following nine points:

1. **Microcredit is Part of a Larger Movement**
Microcredit is just one part of a larger effort to end poverty. To be successful, the overall movement to end poverty will require the implementation of a broad range of strategies.
2. **The Goal of the Summit**
The goal of the Microcredit Summit is to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the year 2005.
3. **Definition of the Poorest**
The *Summit Declaration and Plan of Action* defines the "poorest" families in developing countries as those among the bottom 50% of those living below the poverty line. Within industrialized countries the Summit focuses on all those living below the poverty line.
4. **Institutional Sustainability**
Within developing countries the *Summit Declaration and Plan of Action* is committed to building sustainable institutions. In industrialized countries the economic context is radically different; however, programs in industrialized countries are committed to exploring ways of becoming self-sustaining so that, to the greatest extent possible, their operating costs will be covered through direct revenue from program services.
5. **Impact in the Lives of Clients and their Families**
The Microcredit Summit is committed to programs having a measurable, positive impact in the lives of the very poor.
6. **Current Reach**
The document estimates that of the 100 million very poor families, eight million very poor clients are being reached currently. The remaining 92 million additional clients to reach the Summit's goal, will come from developing countries, countries in transition and industrialized countries.
7. **The Major Challenge**
The major challenge is to reach 100 million of the world's poorest families. However, the *Summit Declaration and Plan of Action* can be derailed by an indiscriminate flow of resources to programs that are not ready for the next level of growth. The pace of growth should be consistent with the goal of institutional sustainability. If growth occurs too

quickly, or if the goal of expansion is put ahead of sustainability, programs may have more clients than they can serve effectively.

8. Estimated Resources Required

The *Summit Declaration and Plan of Action* estimates that some US\$20 billion will be required over the next nine years, subject to the absorptive capacity of micro-finance institutions. These resources would come from grants, concessional or low-interest loans, funds borrowed at commercial rates, savings of the borrowers and equity.

9. Fulfillment of the Summit's Goal

The *Plan of Action* stresses that the basic building block of the Microcredit Summit Campaign is the institutional action plan. Most action plans are due February 1998.

Second: These being very much the spirit of the summit plan of action, the council members supported the objectives of the summit and will work towards achieving these goals.

Third: The councils agreed that the key steps towards implementation would be the individual institutional action plans, which reflect what the agencies plan to do in the areas under their purview. These plans would be subject to periodic revisions. The plans would be shared between the members as they become available, ideally before February 1998.

Fourth: The Councils decided that they would periodically review the progress made towards achieving the objectives of the summit, and that the first review would be next February by circulating all the available institutional action plans at the level of the heads of agencies in February 1998.

Fifth: The councils also agreed that to maintain contact and coordinate what they are each doing in the area of micro finance to share information and best practices, they would utilize CGAP for day-to-day coordination, where these questions would be taken up by the specialized staff of the agencies. They thus do not intend to create any new or additional structures for coordination.

For the Council of IFIs

For the Council of Donor Agencies

Fawzi Al-Sultan
President of IFAD
Co-Chair

Huguette Labelle
President of CIDA
Co-Chair

TABLE 1

1. Mr. Wolfensohn
2. President Konare
3. President Museveni
4. Prime Minister Sheikh Hasina
5. Queen Sofia
6. Queen Fabiola
7. Ms. Elizabeth A. de Calderon Sol
8. ~~Ms. Ela Bhatt~~ Yous
9. Ms. Abzug
10. Mr. Serri

Scun' Dater Harris
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THE WORLD BANK

PRESIDENT WOLFENSOHN

SPEAKING ON

MICRO-CREDIT

Washington, D.C.

[TRANSCRIPT WAS PREPARED FROM A TAPE RECORDING.]

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P R O C E E D I N G S

MR. : Ladies and gentlemen, this lunch is [inaudible] of President Jim Wolfensohn of the World Bank and I have an expression of appreciation to all of you.

I have been with you for the last two days and I have been energized by what we've been doing but let me tell you that from me and all my colleagues at the World Bank it has been a rare privilege and a rare treat to work under the visionary leadership of Jim Wolfensohn.

And I asked Jim, would you please come and share if you would with this group.

Mr. Wolfensohn.

[Applause.]

MR. WOLFENSOHN: Your majesties, your presidents, first ladies, ministers, members of parliament, friends, presidents, all of you--

[Laughter.]

MR. WOLFENSOHN: --may I welcome you most sincerely to this very small contribution to a wonderful event. I just flew in this morning from

London for the sole purpose of coming to this lunch and then the day after tomorrow, I return to Africa. And I must tell you I thought twice about it when I got up at 5 o'clock this morning--

[Laughter.]

MR. WOLFENSOHN: --to think about the joys of the food of this great hotel.

[Laughter.]

MR. WOLFENSOHN: But, I'm here and I'm, indeed, very happy to be here because I think that this summit is a very important milestone in all our work to alleviate poverty around the world.

I would like to thank, for myself and for my colleagues at the Bank, Sam Daly Harris and his team for all of that they've done. This would not have happened without them and at least from the point of view of the Bank we're deeply indebted to all of you.

And we're also very much indebted to Citicorp and the Charles Stewart Mott Foundation, Master Card International and the Monsanto Fund because without you results could not have done.

what they are doing. And, so, I'm grateful to you for your support.

Last night I spoke in London at the Guild Hall which is a 900-year old institution at the annual meeting of the Bankers Association in the presence of the Lord Mayor.

And in all the ceremony and in all the beauty of that great hall I had a speech prepared about the World Bank and as the evening went on, I decided that I wouldn't give it.

And I rose from my seat having once been a banker in London, and said that I thought it was possible for everyone in the room to continue as they had before, thinking about bond issues, thinking about profitable banking, thinking about the competition as it existed between them.

I talked to them about the role of the City of London in terms of financing developing countries throughout many years, many centuries. And I said that I thought that this was a remarkable history but it wasn't enough.

I said it's not enough because there isn't

any more two worlds, the developed world and the developing world. There's one world.

It's a world in which we're linked by the environment, it's a world in which we're linked by crime, it's a world in which we're linked by migration, it's a world in which we're linked by health, it's a world in Northern Europe in relation to the transition economies where we may be linked by the possibility of nuclear disaster. And, so, there is no longer a sense of two worlds, there is, in fact, one world.

And I said, for all of you in this room at the Guild Hall tonight, you can probably go on for your lifetimes without worrying about the 4.7 billion who are in the developing world, for the 3 billion people that live under \$2 a day, for the 1.3 billion that live under \$1 a day.

And you don't have to worry either about the growing difference between the top 20 percent and the bottom 20 percent, the bottom 20 percent that now has 1.4 percent only of the total income of the world.

I said you can go on, and you can have your holidays in Europe or you can ski, you can have your cars, you can do everything you want, but for your children, you can't do it. Because in their lifetime there won't be 5.6 billion people in the world, there will be 8 billion people in the world.

There will be 7 billion of them living in developing countries. And if we don't do something about it, the gap between the rich and the poor will be greater, the environment will be degraded, the weather systems will be changed, the water will be inadequate, the food will be under pressure, and because of communications and because of the fact that today Ghana and the Cote d'Ivoire and Northeast Brazil with Internet and shortly with communications through satellite are as close as next door, and because those people know about the rest of the world, if you want to have a stable and peaceful world you must start thinking about it now.

And, so, I took my speech that I was

thinking of making today and I talked to them and I said, you in the banks have a responsibility. It's a responsibility because you are global, but you must get to the people. You cannot just think of the ceremony and the dignity of London.

You have to think about the people who are multiplied in this world, who are the majority of the world, and who exist as individuals in poverty. Because if you don't, the world will not be a stable place.

And, indeed, as you all know it's true that that world, our world of development is becoming more and more important economically. It now represents 20 percent in total of the world's product. And in 30 years it will be 30 percent of the world's product.

And it will represent in the next 30 years 40 percent of the increase in trade. So, it is an economic imperative to do it. But beyond that there is something much more important. There's a moral, social and human imperative to address the issues of poverty.

And what we're trying to do at the Bank is to open up the Bank to this challenge. Not to be alone on top of a hill as we were 50 years ago after World War II but to be part of a partnership, a partnership between ourselves, other official institutions, the private sector which has grown dramatically in terms of the scale of its investing, and most particularly with civil society and the NGOs.

And there is a dramatic change in the Bank. The doors are open. Any sense of feeling that we know everything is being removed. We've got to listen because the development business is a very tough business.

It must be tough because we're losing. We're losing in the battle against poverty and we're losing against the battle against a degraded environment. And there are more refugees and there is more war, so, we don't have all the answers.

And, at least from the point of view of the Bank what we're seeking to do is to work in partnership where there are good ideas and one of

these good ideas is micro-credit.

And with [inaudible] on our team we believe that we need to do everything that we can to join with all of you in following this remarkable initiative.

We've attempted things in micro-credit over recent years and broadly we have failed because it's tough. We didn't take enough care about building capacity. We didn't take enough care about distribution systems.

We didn't take enough care in some countries about getting the legal framework right, property rights, system of justice. We didn't take enough care in terms of training the people or working with the people who receive help or receive funding from micro-creditors activities.

We made all the mistakes and more. And, so, what we're doing now is essentially joining with you, with C-GAP, with conferences such as this, to try and bring the advantages that we have which is a close relationship with governments, the capacity to fund governments in terms of micro-

credit programs, through IFC to give equity and quasi-equity to activities in the micro-credit field. And to seek with you to develop in the targets that so many have of reaching 100 million.

If I have got the number right, Muhammad [inaudible] he's been training me, he keeps pumping me, you know, it's 100 million, it's not one less. We would settle for 99 million 999, but 100 million that we're trying to get. But we are committed to try and help.

We believe that a lot of the other things that we do, of course, are necessary, that you do need a strong economic environment. As President [inaudible] said, you do need roads. You do need education. You do need a system of government. You do need a justice system. You do need to fight against corruption. You do need government capacity.

All these things are essential elements in terms of successful programs but so far as micro-credit is concerned, we are right behind the commitment that all of you have expressed. And I

want you to know that we are ready to participate, to share our triumphs and to share our failures and to try together to develop what I think is a remarkable initiative.

So, I gave that speech more or less last night.

[Laughter.]

MR. WOLFENSOHN: And now I would like to give you the speech.

[Applause.]

MR. WOLFENSOHN: And, so, perhaps now I could give you the speech I was going to give at the Guild Hall.

[Laughter.]

MR. WOLFENSOHN: But it seems to me that perhaps the speech applies to both. Because in the end, what has moved me [inaudible] Your Majesty you asked me what was the biggest surprise. And I think if not the biggest surprise, it's the biggest reaffirmation that I've had as I have now been with my wife to 46 countries is that amazingly the human genome is the same in all these countries. Modern

biology tells us the human genome is the same.

And whether you are in a village in Mali, where I was as the President knows on my first trip and was so moved when a woman in that village talked to me about the new agricultural programs they had and the father took the son and put him in front and said, Mr. President, I cannot read, but my son will go to university. He was just like a nice Jewish mother that I knew in Australia.

[Laughter.]

MR. WOLFENSOHN: They're all the same. And these same imperatives, the desire not to have charity, the desire to have an opportunity, the desire to give a life to their children, the desire to do something for their own self-respect, made me realize that there is hope because what we're engaged in is not a charitable activity, it's an activity that is morally and socially right and it's an activity to give every human being a chance.

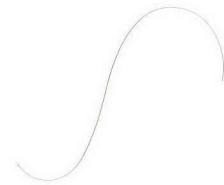
And, we at the Bank are really privileged to be part of that effort and very happy to join

with all of you in trying to pursue it.

Thank you so much.

[Applause.]

[Whereupon, the speech was concluded.]



P R O C E E D I N G S

MR. : It is now my honor to introduce a leader in the world of finance, a leader in the world of development, and a leader in the world of the micro-credit [inaudible], James D. Wolfensohn, the President of the World Bank.

[Applause.]

MR. WOLFENSOHN: Thank you very much, Gavin. Being a rather poor choice to be the last speaker after days of speaking I rather think I prefer to be in the [inaudible] musical [inaudible]--

[Laughter.]

MR. WOLFENSOHN: --than seeking to say something new at this stage.

And, so, let me not say something new. Let me simply tell you that so far as the Bank is concerned we adore what you and we have started. And that we are part of this effort to bring about micro-credit to 100 million families.

We do this with an enormous sense of--

[Applause.]

MR. WOLFENSOHN: --and we do it with [inaudible] uncertainty and a little bit of [inaudible], uncertainty born out of the fact that we've tried over recent years to make our efforts [inaudible] micro-credit sometimes we've succeeded and sometimes we've failed.

But what it has taught is that this is a tough business. It's not the singular answer to poverty, but it's a very, very important answer to poverty and what we're--

[Applause.]

MR. WOLFENSOHN: --trying to do is to learn. To learn with you and to recommit to those in our world who need opportunity, and a chance for them to [inaudible].

We wake up every morning and think about it all and why it is that we work in the World Bank. Certainly I do. And I ask myself, what is it that has enriched my life in these last 18 months since I've been in this position? The first thing is that I think I'm in an institution which has a capacity to do a great deal of good in this

world.

But I have become convinced after visiting 46 countries and after having met with friends in civil society and the private sector and people such as Enrique and Gov and others in the international community that helping the world's poor is not a job for a singular [inaudible]. Helping the world's poor has to be a partnership.

It has to be a partnership between people who are linked by various things. It doesn't matter too much what the mix is. Some come to helping the world's poor out of a sense of economic opportunity. Why? Because we all know that in the developing world there are 4.7 billion people and they represent 20 percent of the world's product.

And that it's growing rapidly. And that in another 30 years it will be nearly 30 percent of the world's product. So, yes, there's economic opportunity. Opportunity for us, opportunity for exports, opportunities for growth.

But what I've learned in these last 18 months is that there is a far more real reason for

committing ourselves to the work of this conference. Call it social justice, call it morality, call it what you like. Call it being a part of the human race. [inaudible] to your children.

Because for us, in this room, being part of this globe at the moment is part of a certain equilibrium. There is a mix of developed countries and developing countries and somehow we move forward together with equity and [inaudible].

But in the next 30 years it won't be developed and developing worlds, nor indeed is it today, it is one world. It is one world of the same sort of people, of the same human race.

And as I travel around this world in the last 18 months, I've come to recognize that the great [inaudible] for the Bank is not [inaudible], is not our money, is not our 50 year's experience, it is the strength from the people we are working with.

[Applause.]

MR. WOLFENSOHN: There is an enormous task

[inaudible] around this world. And the people look different, the cultures are different, but the human spirit is the same, a desire for a better life, a desire for opportunity, not a desire for charity, a desire to grow, a desire to feel something in yourself, a desire to create something in the family.

And, of course, central to this is the role of women and [inaudible] our responsibility is the role of education of children to teach [inaudible].

Because it is for them that all families, be they from rich countries or poor countries, emerge. And it is the mother who sets the tone in the family and I've seen, whether it is in Africa or Central Asia or in Latin America, that this centrality is something that we have to support and which is absolutely essential to the development of the economic and social justice in our world.

The Bank, obviously is only a small player in all this, a prominent one but a small one. And we commit ourselves to this [inaudible] to be your

partner.

We will help in whatever way we can. If we don't get it right, tell us how we can get it right. And let us work together and let us work together as partners in trying to reach that 100 million goal and in trying to leave the world a more peaceful and safer place for our children.

[Applause.]

[Whereupon, the speeches were concluded.]

I N T E R V I E W

MR. : Mr. Wolfensohn, thanks for your time. We understand that you are a big supporter of this micro-credit concept. As President of the World Bank, of course, that is very helpful. I'm curious how the Bank, itself, views that concept and the practice of it?

MR. WOLFENSOHN: Well, I think you have to understand that there is an opportunity to provide financing for a very large number of people at a small level of individual loans.

And the advantage of that is that it enables us to penetrate the core communities and to get to the women, to give them an opportunity not for charity but a chance to do something themselves which is really at the core of what we would like to do in terms of poverty alleviation at the Bank.

Unfortunately, the Bank can't do it directly because we're not a retail organization and we don't have the people in the field and there are [inaudible] governments who can do it through non-governmental organizations and through village

groups. And that's what we're trying to do.

MR. : And you feel a very strong support in the Bank for the concept itself?

MR. WOLFENSOHN: I believe there is, yes. It's not the single answer to poverty but it's an important element in areas where, particularly women need access to credit in order to create a better life for themselves.

MR. : Yeah. As I understand some of the criticism of the concept it suggests that those who are the neediest, those who are destitute, are not even in a position to use this kind of credit. Therefore, this draws from the existing fund of money [inaudible] hurts them rather than helps them.

MR. WOLFENSOHN: Well, I've seen groups in Albania and I've just seen them in India where there are loans of \$5 and \$10 in cooperative activity have made all the difference. And that sometimes grows from 10 to 20 to 50.

I think it's important that you have a balance between the very small, neediest cases and

then allow for what might be micro-enterprise lending going up the scale.

But I would say to you that, you know, in our business there isn't any silver bullet. You have to have a variety of products which can be offered and I don't personally like to get into blaming one at the cost of another.

I think what we've got to do is to experiment to try and see how these can be done effectively, these programs.

And I believe that there is sufficient evidence now in Latin America and Bangladesh and India and [inaudible] to make us believe tat it is worth pursuing.

MR. : Certainly the evidence I know of from India and Bangladesh would say so but are you having any trouble with institutional resistance and this kind of thing? What this does really is put the money, as you said, in the core of the community and it takes away large chunks of money that administrators can dole out and work with.

Is there that kind of resistance?

MR. WOLFENSOHN: There hasn't been that kind of resistance, certainly in the Bank. We have to, first of all, get cooperation of government.

We've just done a \$100 million loan for Bangladesh which will go to an organization which will then parcel it out, itself. And so, it's a \$100 million loan which is then given to a wholesaler which then goes on to other retailers, if you like, to get the money out.

And I think our inhibition is not the amount of money, but it is that first we have to get the government to agree.

And you have to have in a country a system of property rights and a legal system and some framework within which you can lend money. People feel they need to pay it back and if they buy something then they know they can own it, which is a system of property rights.

So, the Bank staff is trying to create a framework in which micro-credit can flourish and then we try and put some money in to stimulate it,

either through the Bank or through IFC, a subsidiary or our affiliated company which, in fact, makes investments in the equity of these types of organizations.

So, we have rather a lot to do and money is not the limitation, it's trying to get everybody together to experiment and to develop proven methodologies.

MR. : In so many of these societies in which this is so needed or at least focused and targeted right now there is a societal male dominance, whereas a lot of what has gone on with micro-credit has been aimed at women.

Is there a chauvinism at work here blocking this or do you find male populations in different societies that object to this kind of program?

MR. WOLFENSOHN: Well, I think historically women have had a pretty raw deal and I think in the area of development certainly what I've learned since I've been in this job women are absolutely central to the formation of families and

to the family structure and to the economic development.

And whether you are in Africa or whether you are in Northeast Brazil or whether you are in many parts of Asia, the crucial thing that you have to recognize is that whether you agree with it or not the women are central to this process.

And no doubt that male chauvinism exists. It does in this country, it does in many other places. But there is a strength in women which is inevitable because of their position in the family. And what we're discovering is that if you can get money into the [inaudible] and if you can educate the young girls and you can help create a societal environment in which this is accepted, then that is probably the best investment you can make in development.

MR. : I would like to ask you a final question. Looking at Asia, and this has been working in Bangladesh, and in India is this micro-credit applicable to other parts of Asia?

Will it work in societies that are in the

same sort of position in their development that it has in India and Bangladesh? Will they accept this?

MR. WOLFENSOHN: I personally think that there's a very good chance that that will be the case. I mean what are we talking about? We're talking about giving a mother or wife an opportunity to develop some economic framework within their family which can help their family [inaudible].

What I've seen is that many of the husbands love it because it's a source of income and I don't see any particular reason why that shouldn't occur in many parts of Asia.

What I would say to you is there is going to be a lot of trial and error. And I think we'll make mistakes. The bankers make mistakes but I think there is enough [inaudible], in fact, a significant amount that is demonstrated [inaudible] that we need to pursue it.

And it's my hope and my belief that in the coming years it will become not the only element in

poverty alleviation but a very important one.

MR. : We thank you very much.

MR. WOLFENSOHN: Thank you.

MR. : There is one question I forgot to ask you.

I understand that Master Card and Citibank card are deeply involved in [inaudible] and--

MR. WOLFENSOHN: Put some money [inaudible].

MR. : --what's in it for them? I mean this kind of program the people affected by the kind of program are a long way from credit cards.

MR. WOLFENSOHN: Well, I just spoke to 1,000 bankers in the City of London and [inaudible] and I threw away the speech because what was obvious to me, and I've been a banker in this situation, is that what they've got to think about is not the next nine years [inaudible] what they've got to think about is the next 25 or 50 [inaudible] and the demographics and the economics are compelling.

That if you want a stable world, you have got to bring along the have-nots. That may not be obvious today in terms of the profit [inaudible] but in terms of the future [inaudible] you got to make some contribution to getting 4.7 billion out of 5.6 billion people in this world who are [inaudible] assume that under \$2 a day and 1.3 billion are [inaudible] \$1 a day [inaudible]. Because otherwise, I mean in 30 year's time you will have 8 billion people in the world, and then 7 billion will be in [inaudible].

So, you are going to have greater disparity between the rich and the poor and you will have then a global communications system and you cannot [inaudible] have instability. Instead of 30 [inaudible] a day, you will have 60 [inaudible]. Instead of 30 million refugees, you will have 130 million refugees. And instead of 18 million people with AIDS, you will have 180 million people with AIDS.

You will have--there will be 7 million in India alone with HIV positive by the end of this

year. Now, they're not rich people. They're poor people and [inaudible] no direct relationship between money that Citibank or somebody else puts in to those communities but [inaudible] get all of them to recognize that there is a social responsibility which I believe is inevitable.

Then you've got a chance of bringing people along and I don't think you can stand back. I think it's necessary for Citibank and [inaudible] in Hong Kong and Shanghai Bank and lots of [inaudible] to start to get interested in 7 billion people.

MR. : [inaudible].

MR. WOLFENSOHN: I don't know whether they will do it, I can only say that last night at the [inaudible] I got an enormous [inaudible].

MR. : Okay.

[Whereupon, the tape concluded.]

A L L - I N - 1 N O T E

DATE: 03-Feb-1997 06:24pm

TO: See Distribution Below

FROM: Eveling Bermudez, ESDVP

(EVELING BERMUDEZ@A1@WBHQB)

EXT.: 31421

SUBJECT: Lunch Hosted by Mr. Wolfensohn

The list of people who were invited to the lunch is being sent to you right now. It includes high level officials/dignitaries and all representatives from various agencies who were invited to attend the lunch.

Below are the names of those who will be seating at Mr. Wolfensohn's table:

President Konare
President Museveni
Sheik Hasina
Queen Sofia of Spain
Muhammad Yunus
Ela Bhatt
Sam Daley-Harris
Ismail Serageldin

Your office already has the bios for Konare Museveni. I believe you should also have the bio for Sheik Hasina. Below are brief notes on:

Ela Bhatt:
Chairperson
SEWA Bank
India

Ela Bhatt is the founder of the SEWA movement, General Secretary of SEWA and the Chairperson of the SEWA Cooperative. She is the recipient of the Magsaysay Award for Community, the CARE Humanitarian Award and the "Padmabhushan," from the Government of India, and Alternate for the Nobel Prize for Leadership.

Dr. Muhammad Yunus
Managing Director
Grameen Bank
Bangladesh

Dr. Muhammad Yunus received his Ph.D. from Vanderbilt University in 1970. He was a Professor of Economics and the Director of the Rural Economics program at Chittagong University. He is founder of the Grameen Bank and continues to serve as its managing director. The bank has over 2 million borrowers who use their

loans to start and expand tiny self-employment ventures. Grameen Bank was awarded the King Baudouin Development Prize in 1992. Professor Yunus was awarded the CARE Humanitarian Award in 1993 and the World Food Prize in 1994.

Sam Daley-Harris
President
RESULTS

Sam Daley-Harris is President of RESULTS Educational Fund, a non-profit advocacy group committed to generating the will to end hunger and poverty. RESULTS Educational Fund organized the 1990 World Summit for Children Candlelight Vigils across the globe and recently convened the first global Microcredit Summit. Mr. Daley-Harris is the author of Reclaiming Our Democracy: Healing the Break Between People and Government. He is also the founder and President of RESULTS, a grassroots citizens lobby founded in 1980 and dedicated to generating the political will to end hunger and poverty. He lives in Washington, D.C. with his wife Shannon, Director of Religious Affairs for the Children's Defense Fund.

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His Excellency Mr. Alpha Oumar Konaré
President of the Republic of Mali

Education:

Ph.D. in history and archeology, Poland

Devoted much of his time to teaching, research and culture.

Political positions

- | | |
|------------------------|---|
| • March 1991 | Member of the transitional Government |
| • May 1991 | Founding member of ADEMA/PASJ, the ruling party |
| • May 1978-August 1990 | Minister of Culture and Sports. |

Former political activities:

- Active member of several grassroots organizations.
- Founder of the first independent newspaper in Mali
- Co-author of documents which contributed to the spread of the democratic movement in his country.

Meeting with President Museveni of Uganda

February 4 & 5, 1997

PROFILES OF UGANDAN DELEGATES

H.E. Yoweri K. Museveni

President of the Republic of Uganda

Yoweri Kaguta Museveni became President of the Republic of Uganda on January 26, 1986 after leading a successful five-year guerrilla struggle against the regimes of Milton Obote and Tito Okello. He formed a broad-based government in which formerly politically hostile factions were brought together under the unifying influence of the National Resistance Movement. **In the recent peaceful and fair Presidential and Parliamentary elections held in June '96, which broadly endorsed his regime,** he won almost 75% of the votes, carrying a majority in all areas except the North.

Museveni (born in 1944), has been politically active since his student days at Ntare School, Mbarara, and studied political science and economics at the University of Dar-es-Salaam, graduating in 1970 with a Bachelor of Arts degree. After Idi Amin's coup in 1971, he was instrumental in the formation of FRONASA (the Front for National Salvation). FRONASA made up one of the Ugandan exile groups which together with the Tanzanian People's Defense Forces, ousted Amin in 1979.

In the government that succeeded Amin, Museveni served as Minister of Defense, Minister of Regional Co-operation, and Vice-Chairman of the Military Commission. In December 1980, Milton Obote and his Uganda People's Congress Party rigged the country's first elections in nearly 20 years. On February 6, 1981, Museveni went to the bush and, together with 26 other young men, organized the National Resistance Army (NRA) to fight the tyranny that Obote regime had unleashed upon the population, especially the peasants in the three central Ugandan districts of the Luwero Triangle.

The NRA is unique in Africa for being the only guerrilla force to take over power without external support. Its main camps were based only 20 miles from the capital, Kampala. This demonstrates that the NRA leadership was, in extremely difficult circumstances, capable of achieving sophisticated levels of organizational discipline and techniques for managing both soldiers and civilians in the war zones.

Sheikh Hasina, Prime Minister of Bangladesh - a Profile

Sheikh Hasina was sworn in as the 10th Prime Minister of Bangladesh on June 23, 1996, following a free and fair election. She is the eldest daughter of the Father of the Nation, Bangabandhu [Friend of Bangladesh] Sheikh Mujibur Rahman and Begum Fazilatunnesa. She was actively involved in politics from her early life. During the War of Liberation in 1971 she was imprisoned along with her family. She graduated from Dhaka University in 1973.

In August 15, 1975 Bangabandhu Sheikh Mujibur Rahman and many of his family members were assassinated. Sheikh Hasina and her only sister Sheikh Rehana, who were overseas, escaped the assassination. In 1981 she returned to Bangladesh from exile and launched an uncompromising movement against military rule. In 1983 she formed a Fifteen Party Alliance against military rule. In retaliation she was arrested and taken blindfolded to the Cantonment and held incommunicado for 15 days. She was put under house arrest twice in 1984 and again in 1985. In the face of persistent pressure the military rulers decided to hold general election in 1986. Her party won 104 seats in the election and Sheikh Hasina became Leader of the Opposition in the Parliament. Sheikh Hasina took her fight to establish the rights of the people inside the Parliament as well. This Parliament was dissolved by General Ershad in December 1987. In November 1990 she offered the formula to transfer power from General Ershad through constitutional means. The General tried to fight the tide of opposition led by Sheikh Hasina by interning her and proclaiming a state of emergency. In the face of mass upsurge and an ultimatum from Sheikh Hasina he was forced to release her and stepped down from power.

In the subsequent general election Sheikh Hasina's party won 38 percent of the popular vote compared to 31 percent won by the Bangladesh Nationalist Party (BNP). Yet, the Awami League did not get absolute majority in the Parliament. She became the Leader of Opposition. She successfully led all political parties to accept a Parliamentary form of government and a nationwide movement for a neutral caretaker government for conducting national elections.

In the face of the government's refusal to this demand, the opposition members of the Parliament resigned on December 28, 1994. Sheikh Hasina launched a renewed movement demanding that elections be held under a neutral caretaker government. People from all walks of life joined the movement which forced the ruling government to resign. In the Parliamentary elections held under a neutral caretaker government on June 21, 1996 Sheikh Hasina's party won a majority of seats.

Sheikh Hasina has traveled widely to promote international peace, disarmament, racial harmony, goodwill and fraternity among nations. She is an avid reader of books and journals on international politics, literature and social welfare. She is the author of several books and numerous articles. Sheikh Hasina and her husband Dr. M.A. Wazed Miah are parents of a daughter and a son.

OVERALL MESSAGE

The Persistence of Poverty

- 1.3 billion live on less than \$1 a day - 70% of them women.
- 40,000 people die every day because of hunger-related diseases
- 50 million children are mentally or physically damaged because of improper or inadequate nutrition
- 130 million children don't go to primary school (80% of them girls).

And inequalities are growing

- Between 1960 and 1990 the incomes of the richest 20 percent grew 3 times faster than the incomes of the poorest 20 per cent. As a result the share in global incomes of the poorest 20 percent has fallen from 2.3% to 1.4%.
- In Latin America today, a quarter of the population lives in absolute poverty.
- In South Asia half the people over the age of 15 cannot read and write.
- And there are countries where the incomes of the wealthiest 10 percent can be 80 times the incomes of the poorest 10 percent.

The Bank is more committed than ever to poverty reduction

We know that broad-based sustainable economic growth coupled with improved access to education, health care and social services is essential for reducing poverty.

But the poorest of the poor lack access to even these basic services.

Urgent need to create opportunity, to bring people into the economic mainstream, and to do so in a way that respects human dignity.

Beauty of microcredit is that with a simple \$100 loan one begins to unleash human potential...and that in turn has an extraordinary multiplier effect - on the family, the village, the community...

My travels around the world have underlined 2 things:

1. that people retain a dignity and a desire to help themselves even among the most abject conditions. If that desire for self-help can be combined with opportunity, the results can be dynamic - not just economically but socially and spiritually.
2. that people have to be given the opportunity to do it their own way. We can't impose models cooked up in Washington, or London, or Paris which pay little or no attention to local conditions and local needs.

The beauty of microcredit is that it is so local, and that it puts people together with the private sector in a way which enables them to create *their* opportunities, to have their dreams and their hopes begin to take flight. The woman who has 3 cows today but dreams of adding sheep and maybe pigs tomorrow. ...

But for microcredit to maximize its potential capacity building is essential - ensuring the financial sustainability of institutions to reach the very poor is the major challenge.

Let me assure you that the Bank wholeheartedly supports the summit's goal of reaching 100 million of the world's poorest families, especially the women, with credit by the year 2005.

But none of us in this room can achieve this goal alone.

Vital importance of partnerships and of leveraging learning. Let me give you just one example. South Asia program of training whereby staff involved in poverty reduction programs which include microcredit (10 in Pakistan) spend 2 weeks in the field being trained by NGOs - this will be followed up by similar training programs in Sri Lanka and Bangladesh).

What is the Bank's contribution?

Bank's 3 pronged strategy

1. **creating the enabling environment** - comparative advantage of policy dialogue with governments, legal and tax reform, creating a level playing field for microenterprises;
2. **lending where appropriate** - \$100 million loan to Government of Bangladesh to be wholesaled through P-KSF; equity and quasi-equity investments - IFC investment in Profund and KREP in Kenya.
3. **Participation in multidonor efforts - CGAP** - best practice; mainstreaming within Bank operations.

40,000 people dying each day because of hunger-related causes and 50 million children being physically or mentally damaged because of inadequate nutrition is quite simply a human toll which we can no longer afford to pay.

Micro-finance isn't a panacea. All of us in this room know how important macroeconomic fundamentals and investments in education and health continue to be. But the beauty of microfinance is that it offers us one way to bring down those numbers in a way that respects the resourcefulness, the self-respect and the independence of the human spirit.

**James D. Wolfensohn
Micro-Credit Summit
February 4th 1997**

Talking Points for the Luncheon

- Sorry to have missed the first two days. Have heard that the Summit has been a great success. Want particularly to thank Sam Daley-Harris and his team:

Members of the organizing Committee;

- Nancy Barry, Women's World Banking
 - Ela Bhatt, SEWA in India
 - Margaret Catley-Carlson, Population Council
 - Michael Chu, ACCION Internatioanl
 - Connie Evans, Women's Self Employment Project in Chicago
 - William Foege, Executive Director, Task Force for Child Survival and Development
 - John Hatch, Foundation for International Community Assistance (FINCA)
 - Wakako Hironaka, Member, House of Councillors
 - Ismail Serageldin
 - Ellen Johnson Sirleaf, UNDP
 - Kathy Waldron, Citibank
 - Muhammad Yunus
Grameen Bank
- And the staff in the CGAP Secretariat for providing comments on the Summit's Declaration and Plan of Action.
 - Want to assure you that the Bank fully supports the goal of the Summit to expand microcredit services to 100 million poor families throughout the world.
 - We know that broad-based, sustainable economic growth coupled with improved access to education, health-care and social services reduces poverty.
 - But despite all the advances on the development front, over one billion people continue to live in abject poverty - 70% of them women; some 40,000 people die every day of hunger-related causes; and the bottom 20 percent receive only 1.4% of the world's income.
 - Many of these people simply don't have access to basic services.

- Micro-finance isn't a panacea. It is, however, one effective instrument to reach the very poor. And the beauty of it is that it recognizes peoples' desire not to be the recipients of handouts but to help themselves. (Your observations of the importance of this - Women of Katwe, Uganda transforming banana peels into charcoal briquettes).
- But it isn't easy. Bank has learnt a great deal over the last 5 years after a number of false starts.
- Most important lesson we have all learnt is that *building the capacities* of institutions to reach very poor people and ensuring their financial sustainability is the major challenge.

What can the Bank bring to the micro-finance table?

1. Assistance in creating the enabling environment on which so much else depends

- ⇒ comparative advantage stemming from the fact that we work with developing country governments;
- ⇒ long record of creating an enabling environment for financial intermediation - this can now be adapted for micro-finance policy issues.
- ⇒ Leverage to put in place appropriate legal and regulatory frameworks. (Policy-mandated interest rate ceilings can preclude MFIs from recovering their full costs; regulatory frameworks with high and reserve minimum capital requirements may be inappropriate for MFIs seeking formal status and the right to legally collect deposits).
- And the Bank plans to step-up its micro-finance policy dialogue agenda within the context of its financial sector support programs.

2. Support for innovative approaches to wholesaling micro-credit:

- Success in Bank micro-finance initiatives depends on 2 key factors,:
 - ⇒ the willingness of the local government to take a loan to support viable micro-finance and;
 - ⇒ the existence of an appropriate structure on the ground for channeling Bank funding.
- The Bank's primary instrument for funding is through loans to governments - this requires that governments support the micro-finance infrastructure and channel funds to those who need it e.g. the \$100 million loan to the Government of Bangladesh to be wholesaled by P-KSF at concessional interest rates to retail micro-finance institutions.

- Local initiative is key. To date it has been indigenous, generally non-governmental, institutions which have had the most solid achievements. The Bank recognizes the potential of these groups to administer Bank-funded micro-finance support and ensure that funds are directed to those MFIs that have the absorptive capacity and potential for viability.
- The Bank is exploring equity and quasi-equity investments in micro-finance institutions. IFC through its equity and quasi-equity instruments has recently invested in PROFUND in Latin and Central America, and in the newly formed K-REP Bank in Kenya. (Since 1990. K-REP has provided 20,000 loans, and achieved a repayment rate of over 97%, and recorded operational priority since 1993.)
- We also want to build bridges between the private sector/ commercial banking sector and micro-financiers and are exploring ways in which we can assist in this process.

3. Participation in multidonor efforts -Consultative Group to Assist the Poorest (CGAP)

- In June 1995 World Bank served as catalyst in creating the 24-member, multidonor effort. To date, the Bank has put in \$32 million.

Importance of CGAP for:

- ⇒ establishing best practice, forging partnerships, and strengthening donor co-ordination.
 - ⇒ Supporting MFIs that are clearly moving towards financial sustainability.
 - ⇒ Supporting the development of key tools that will improve the quality of microfinance - audit and financial standards, a data base of MFIs and a study of national and regional funds.
 - ⇒ mainstreaming micro-finance within World Bank operations.
 - ⇒ CGAP also represents an experiment for the Bank in testing a grant instrument to non-government guaranteed institutions.
- Underlying all this, however, is the need to learn from one another. The most important contribution of the Summit may well be that it enables us all to leverage our experience and move forward to tackle the problems of poverty in partnership.
 - 40,000 people dying each day because of hunger-related causes and 50 million children being physically or mentally damaged because of inadequate nutrition is quite simply a human toll which we can no longer afford to pay. The beauty of microfinance is that it offers us one way to bring down those numbers in a way that respects the resourcefulness, the self-respect and the independence of the human spirit.

Meeting with the President of the Republic of Mali
His Excellency Alpha Oumar Konaré
February 4, 1997

Participants

Mali: H.E. Mr. Alpha Oumar Konaré, President of Mali
H.E. Mr. Soumaïla Cissé, Minister of Finance and Commerce, Governor of the World Bank
H.E. Mr. Modibo Tiemoko Traoré, Minister of Rural Development and Environment
H.E. Mrs. Fatou Cissé Haidara, Minister of Industry, Handicraft and Tourism
H.E. Mr. Cheikh Oumar Diarrah, Ambassador to the US
Mr. Mandé Sidibé, Advisor to the President
Mr. Moussa Coulibaly, Diplomatic Advisor to the President

Bank: Mr. Ali Bourhane, Executive Director
Mr. Jean-Louis Sarbib, Vice President, Africa Region
Mr. Hasan Tuluy, Country Director for Mali
Ms. Grace Yabrudy, Resident Representative, Mali
Ms. Diariétou Mané, Country Economist

Purpose of the Meeting:

H.E. Mr. Konaré will participate in the Microcredit Summit taking place February 2-4. Your luncheon with President Konaré has been scheduled on February 4.

SYNOPSIS

Issues Likely to be Raised by President Konaré and Suggested Answers

Microcredit: IDA assistance to microfinance and a training center.

- Suggested Answer: Financial Sector Project (FY98) will support microcredit, including support to training center if necessary.

Education Sector: Continued IDA support to ten-year education reform program, including funding of Government PRODEC preparation team.

- Suggested Answer: Support to PRODEC (initially Japanese Grant, later through PPF) extended until fall 1997. Strategic plan for ten-year education program ready by March 1997 for implementation in 1997/98 school year.

National Library: Funding of a national library by IDA.

- Suggested Answer: Urgent needs are in primary education; a university library could be part of a secondary/higher education sector reform.

Post-stabilization policy: Whether IDA can help define an accelerated growth strategy.

- Suggested Answer: Growth and Equity Study started in January with IDF Grant support.

Decentralization: Provide assistance to the decentralization process.

- Suggested Answer: Urban Development and Decentralization Project (US\$80 million, FY97) and Institutional Development Project (FY98) provide assistance.

Institutional Development/Capacity Building: Need to rejuvenate civil service and improve pay incentives, best staff work for externally-funded projects.

Suggested Answer:

- Revenue situation precludes salary increase with current number of staff.
- Reform to be preceded by national consensus on new role of the state.
- Institutional Development Project and several trust funds available for help.

Issues Likely to be Raised by President Konaré and Suggested Answers

Microcredit

Suggested Answer:

- Financial Sector Project (FY98) will have a microfinance component;
- Project preparation supports technical group comprising representatives of Government, microfinance institutions, user groups, and bilateral donors;
- Action plan by technical group will be discussed at national seminar in March-April 1997 and serve as basis for microfinance component of project;
- We are aware of importance of microfinance and will provide technical, financial, and institutional support, including support to a training center for microfinance if necessary, using the existing training facilities (*Centre de Formation Bancaire*).

Education Sector

Suggested Answer:

- One of lowest primary enrollment rates in the world with 35% (vs. SSA average of 71%);
- 57% of the education budget spent on higher and secondary education; primary education receives only 43%. Scholarships alone consume over 16% of total education budget (about 50% of the higher education budget);
- Significant work in past year by PRODEC team with IDA support to define education strategy;
- PRODEC team will reintegrate into Ministry of Education in fall 1997 to implement the strategy;
- Funding for classroom equipment and didactic materiel will be discussed during the preparation of the Education Sector Investment Project (FY98).

Bibliothèque Nationale

Suggested Answer:

- Need to deploy resources with priority to primary education, given dismal performance;
- Plan two sequential five-year sector investment projects to support improvement in coverage and quality of primary, secondary, and higher education. Could revisit library as part of university reform.

Post stabilization policy

Suggested Answer:

- Discussed during Annual Meetings with the Minister of Finance;
- Mission went to Mali in November, technical group set up to coordinate the study in Mali;
- Main objective is to define policy measures to increase Mali's competitiveness, double per capita GDP within ten years (annual GDP growth rate of 7% necessary to attain this goal);
- Study will also look into the distributional impact of growth;
- IDF Grant approved by IDA on January 23, 1997; Grant Agreement to be signed by Minister of Finance during this trip;
- Study results will be basis of next CAS (FY98).

Decentralization**Suggested Answer:**

- Bank very much involved in decentralization under Urban Development and Decentralization Project (FY97, US\$80 million equivalent);
- Project will: (i) provide assistance for local revenue mobilization and management of community resources; (ii) strengthen municipal contract management capacity; (iii) develop labor intensive employment with the assistance of AGETIPE; and (iv) increase provision of drinking water at the community level.

Institutional Development and Capacity Building**Suggested Answer:**

- Salaries lowest in the region; no career progression and low turnover rate in civil service;
- Salary expenditures represent 30% of fiscal revenues (vs. SSA average of 50%);
- Number of civil servants (35,000 equivalent to 1:250 inhabitant) remain below region average (1:160 inhabitant);
- Fiscal deficit (excluding grants) of 8% of GDP in 1996 does not allow Mali to raise salaries or recruit new civil servants in the short term;
- Resources are available under PPF for Institutional Development Project and from trust funds. More can be mobilized, once national consensus is reached to rebuild a more focused professional public administration.

Issues and Main Message from the Bank**Consolidate stabilization policy for higher growth:**

- Government should be congratulated for important achievements on the financial front and structural measures undertaken following the 1994 devaluation.
- GDP growth rate of 6.4 % in 1995, compared to average of 2.4% between 1990 and 1994, and is expected to exceed 4% in 1996.
- Annual inflation fell sharply from 24.8% in 1994 to approximately 12.4% in 1995 and 7% in 1996.
- Important problems remain: (i) large current account deficit of 14.6% of GDP (vs. UEMOA average of 12%); (ii) large public sector deficit (excluding grants) of 8% of GDP in 1996 (vs. UEMOA average of 6%).
- Consolidating stabilization crucial for higher growth, increasing investment and employment, and raising domestic savings and in signaling the Government's commitment to reform.

Political and Economic Background

- 1997 will see the second presidential elections since Colonel Amadou Toumani Touré handed over power in 1992 to a democratically-elected government led by President Konaré. New *Code électoral* was adopted. Presidential election will take place in May 1997 after legislative elections scheduled in early March;
- The Malian economy continues to respond favorably to various policy and structural measures implemented by the Government within the framework of the adjustment program described in the PFP. Mali had a record level of cotton production in 1995/96 (405,000 thousand metric tons compared to 293,000 in 1993/94).

Bank Group's Relationship with Mali

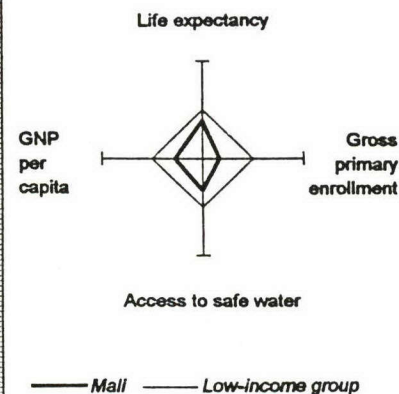
- Bank and Mali have collaborative and open dialogue, although there are areas where the Bank feels that the Government could take more vigorous actions (e.g., education and institutional reform).
- Although there had been an intentional slowdown in portfolio growth in FY95 and FY96 in order to focus on project completion and portfolio restructuring, this is no longer the case in FY97, with three new projects scheduled for Board presentation. Furthermore, sector investment programs in health, agriculture and education are under preparation.
- A CAS Progress Report will be issued in FY97 and the next full CAS will be prepared in FY98, drawing on results of the Growth and Equity Study prepared by a Malian team.

Mali at a glance

POVERTY and SOCIAL

	Mali	Sub-Saharan Africa	Low-income
Population mid-1995 (millions)	9.8	589	3,188
GNP per capita 1995 (US\$)	250	490	460
GNP 1995 (billions US\$)	2.5	289	1,466
Average annual growth, 1990-95			
Population (%)	3.0	2.8	1.8
Labor force (%)	..	2.8	1.8
Most recent estimate (latest year available since 1989)			
Poverty: headcount index (% of population)	..	..	..
Urban population (% of total population)	26	31	29
Life expectancy at birth (years)	49	52	63
Infant mortality (per 1,000 live births)	125	92	58
Child malnutrition (% of children under 5)	..	..	38
Access to safe water (% of population)	49	47	75
Illiteracy (% of population age 15+)	68	43	34
Gross primary enrollment (% of school-age population)	35	71	105
Male	45	77	112
Female	25	64	98

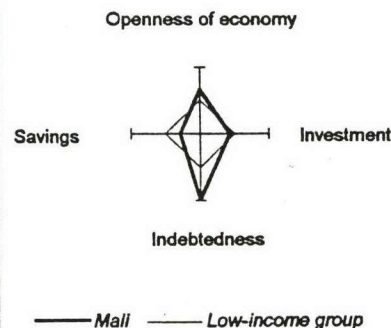
Development diamond*



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1994	1995
GDP (billions US\$)	0.8	1.1	1.9	2.5
Gross domestic investment/GDP	16.5	19.6	26.5	26.0
Exports of goods and non-factor services/GDP	10.2	20.8	21.7	22.3
Gross domestic savings/GDP	-4.4	-14.3	6.7	10.1
Gross national savings/GDP	-4.1	-11.6	8.7	11.4
Curr. account bal., excl. all official grants/GDP	-7.2	-31.2	-17.8	-14.6
Interest payments/GDP	0.1	1.2	2.0	0.9
Total debt/GDP	45.4	138.9	150.8	124.3
Total debt service/exports	4.0	19.8	25.8	12.5
Present value of debt/GDP	..	..	86.2	..
Present value of debt/exports	..	..	321.8	..
(average annual growth)				
GDP	1.9	3.5	2.3	6.4
GNP per capita	0.1	0.5	-2.4	3.0
Exports of goods and nfs	8.8	5.9	-4.5	19.8

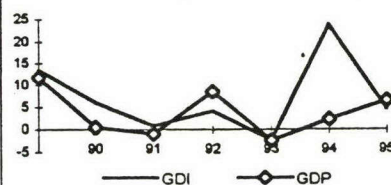
Economic ratios*



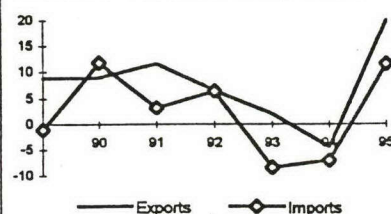
STRUCTURE of the ECONOMY

	1975	1985	1994	1995
(% of GDP)				
Agriculture	61.0	49.5	42.1	46.1
Industry	10.7	15.4	17.1	16.8
Manufacturing	6.8	8.9	6.7	6.5
Services	28.3	35.0	40.9	37.2
Private consumption	94.1	100.7	81.2	78.8
General government consumption	10.2	13.6	12.1	11.0
Imports of goods and non-factor services	31.1	54.6	41.5	38.1
(average annual growth)				
Agriculture	1.1	5.2	7.5	9.1
Industry	2.8	4.1	1.1	7.8
Manufacturing	..	4.5	2.4	6.4
Services	0.6	1.4	-2.5	1.7
Private consumption	2.1	1.5	-4.9	7.4
General government consumption	4.6	1.8	-4.1	-3.0
Gross domestic investment	3.5	5.8	23.7	4.4
Imports of goods and non-factor services	8.1	0.9	-7.1	11.4
Gross national product	1.7	3.4	0.6	6.3

Growth rates of output and investment (%)



Growth rates of exports and imports (%)

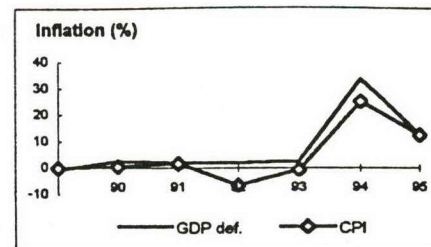


Note: 1995 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

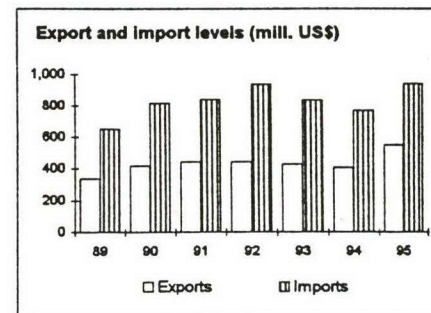
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
Domestic prices				
(% change)				
Consumer prices	..	..	24.8	12.4
Implicit GDP deflator	23.0	3.3	33.2	12.5
Government finance				
(% of GDP)				
Current revenue, incl. current grants	..	15.3	17.7	16.8
Current budget balance (incl. current grants)	..	-0.4	2.9	4.3
Overall surplus/deficit (incl. current grants)	..	-14.8	-9.6	-8.1



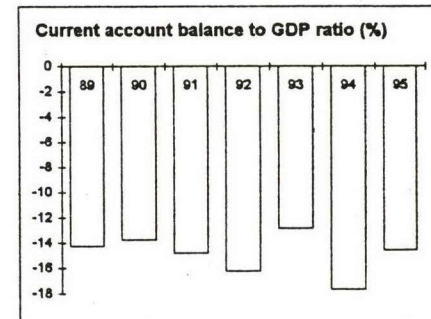
TRADE

	1975	1985	1994	1995
(millions US\$)				
Total exports (fob)	..	176	333	470
Cotton	..	78	150	261
Gold	..	0	50	69
Manufactures	..	0	0	0
Total imports (cif)	..	469	629	774
Food	..	141	86	104
Fuel and energy	..	80	58	66
Capital goods	..	105	193	256
Export price index (1987=100)	..	79	90	104
Import price index (1987=100)	..	73	108	119
Terms of trade (1987=100)	..	107	83	88



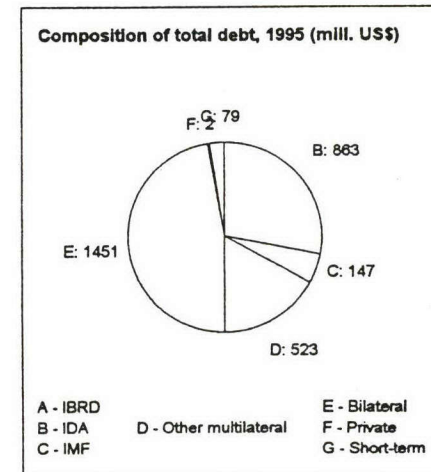
BALANCE of PAYMENTS

	1975	1985	1994	1995
(millions US\$)				
Exports of goods and non-factor services	95	220	402	549
Imports of goods and non-factor services	239	578	769	941
Resource balance	-144	-357	-366	-391
Net factor income	-22	-19	-48	-65
Net private current transfers	109	47	85	96
Current account balance, before all official transfers	-57	-329	-329	-361
Financing items (net)	49	298	416	427
Changes in net reserves	8	31	-87	-66
Memo:				
Reserves including gold (mill. US\$)	4	29	228	330
Conversion rate (local/US\$)	214.3	449.3	555.2	499.1



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1994	1995
(millions US\$)				
Total debt outstanding and disbursed	356	1,468	2,794	3,065
IBRD	0	0	0	0
IDA	41	224	770	863
Total debt service	5	53	128	82
IBRD	0	0	0	0
IDA	0	3	12	12
Composition of net resource flows (OECD data)				
Official grants	..	157	220	..
Official creditors	24	87	43	126
Private creditors	2	-2	-1	0
Foreign direct investment	..	3	45	..
Portfolio equity	0	0	0	0
World Bank program				
Commitments	24	72	120	56
Disbursements	13	29	93	85
Principal repayments	0	1	6	6
Net flows	13	28	87	80
Interest payments	0	2	6	6
Net transfers	13	27	82	73



Mali - Selected Indicators of Bank Portfolio Performance and Management

Indicator	1994	1995	1996	1997
<i>Portfolio Performance</i>				
Number of Projects under implementation	17	17	18	17
Average implementation period (years) ^a	3.66	4.07	3.91	4.23
Percent of problem projects rated U or HU ^b (for past years, rated 3 or 4)				
Development Objectives ^c	11.76	5.88	16.67	17.65
Implementation Progress (or overall status for past years) ^d	11.76	5.88	16.67	17.65
Cancelled during FY in US\$m	2.74	.16	0.00	.29
Disbursement ratio (%) ^e	19.39	20.79	16.08	10.19
Disbursement lag (%) ^f	10.17	9.55	5.00	5.09
Memorandum item: % completed projects rated unsatisfactory by OED	0.00	0.00	0.00	0.00
<i>Portfolio Management</i>				
Supervision resources (total US\$ thousands)	798.55	1,032.01	935.56	296.13
Average Supervision (US\$ thousands/project)	46.97	60.71	51.98	17.42
Supervision resources by location (in %)				
Percent headquarters	0.00	0.00	59.81	53.21
Percent resident mission	0.00	0.00	40.19	46.79
Supervision resources by rating category (US\$ thousands/project)				
Projects rated HS or S	45.86	61.88	45.21	15.86
Projects rated U or HU	55.36	41.88	85.81	29.97
Memorandum item: date of last/next CPPR				

- a. Average age of projects in the Bank's country portfolio.
- b. Rating scale: "HS" denotes "Highly Satisfactory", "S" denotes "Satisfactory", "U" denotes "Unsatisfactory", and "HU" denotes "Highly Unsatisfactory".
- c. Extent to which the project will meet its development objective (see OD 13.05, Annex D2, *Preparation of Implementation Summary [Form 590]*).
- d. Assessment of overall performance of the project based on the ratings given to individual aspects of project implementation (e.g., management, availability of funds, compliance with legal covenants) and to development objectives (see OD 13.05, Annex D2, *Preparation of Implementation Summary [Form 590]*). The overall status is not given a better rating than that given to project development objectives.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: investment projects only.
- f. For all projects comprising the Bank's country portfolio, the percentage difference between actual cumulative disbursements and the cumulative disbursement estimates as given in the "Original SAR/PR Forecast" or, if the loan amounts have been modified, in the "Revised Forecast." The country portfolio disbursement lag is effectively the weighted average of disbursement lags for projects comprising the Bank's country portfolio, where the weights used are the respective project shares in the total cumulative disbursement estimates.

Note:

Disbursement data is updated at the end of the first week of the month.
Supervision resources include Salaries, Benefits, and Travel but excludes FAO staff and PCR task costs.

Mali - Bank Group Fact Sheet
IBRD/IDA Lending Program

<i>Category</i>	<i>Past</i>		<i>Current</i>		<i>Planned^a</i>		
	1994	1995	1996	1997	1998	1999	2000
Commitments (US\$m)	110.0	66.0	100.7	99.3	144.4	81.0	25.0
<i>Sector (%)^b</i>							
Agriculture	18.2	9.1	0.0	4.3	51.9	55.6	0.0
Education	0.0	75.8	13.3	0.0	31.2	0.0	0.0
Health	0.0	0.0	0.0	0.0	0.0	44.4	0.0
Natural Res Mgmt	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Non-Sector	22.7	0.0	59.6	0.0	0.0	0.0	0.0
Nutrition	0.0	0.0	0.0	15.1	0.0	0.0	0.0
Power	0.0	0.0	27.1	0.0	11.4	0.0	0.0
Public Sector Manage	0.0	0.0	0.0	0.0	5.5	0.0	0.0
Transportation	59.1	0.0	0.0	0.0	0.0	0.0	0.0
Urban	0.0	15.2	0.0	80.6	0.0	0.0	0.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Lending instrument (%)</i>							
Adjustment loans ^c	22.7	75.8	59.6	0.0	0.0	0.0	0.0
Specific investment loans and others	77.3	24.2	40.4	100.0	100.0	100.0	100.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Disbursements (US\$m)</i>							
Adjustment loans ^c	51.1	39.8	31.2	20.5	20.0	20.0	0.0
Specific investment loans and others	34.5	49.1	37.8	21.2	46.5	33.0	20.2
Repayments (US\$m)	5.3	5.2	6.6	3.7	0.0	0.0	0.0
Interest (US\$m)	5.4	5.8	6.3	3.4	0.0	0.0	0.0

^a Ranges that reflect the base-case (i.e., most likely) Scenario. for IDA countries, planned commitments are not presented by FY but as a three-year-total range; the figures are shown in brackets. A footnote indicates if the pattern of IDA lending has unusual characteristics (e.g., a high degree of frontloading, backloading, or lumpiness). For blend countries, planned IBRD and IDA commitments are presented for each year as a combined total.

^b for future lending, rounded to the nearest 0 or 5%. To convey the thrust of country strategy more clearly, staff may aggregate sectors.

^c Structural adjustment loans, sector adjustment loans, and debt service reduction loans.

Note:

Disbursement data is updated at the end of the first week of the month.

Mali - IFC and MIGA Program, FY94-97

Category	Past			
	1994	1995	1996	1997
IFC approvals (US\$m)	0.00	39.80	0.00	0.00
Sector (%)				
	0.00	0.00	0.00	0.00
Mining & Metals	0.00	100.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00
Investment instrument (%)				
Loans	0.00	88.00	0.00	0.00
Equity	0.00	12.00	0.00	0.00
Quasi-Equity ^a	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00
MIGA guarantees (US\$m)	0.00	0.00	50.00	50.00
MIGA commitments (US\$m)	0.00	0.00	0.00	0.00

^aIncludes quasi-equity types of both loan and equity instruments.

Status of Bank Group Operations in Mali

IBRD Loans and IDA Credits in the Operations Portfolio

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions			Undisbursed	Difference Between expected and actual disbursements a/	Last ARPP Supervision Rating b/		
					IBRD	IDA	Cancellations			Development Objectives	Implementation Progress	
Number of Closed Loans/credits: 46												
<u>Active Loans</u>												
ML-PE-1718	C19060	1988	GOVERNMENT OF MALI	OFFICE DU NIGER II	0.00	39.80	0.00	5.80	1.14	HS	S	
ML-PE-1723	C19980	1989	GOVERNMENT OF MALI	POWER II	0.00	33.00	0.00	14.08	12.40	S	S	
ML-PE-1744	C21630	1990	GOVT OF MALI	AG SECAL	0.00	53.00	0.00	10.25	5.54	HS	S	
ML-PE-1725	C22350	1991	GOVERNMENT OF MALI	AG SERVICES	0.00	24.40	0.00	7.06	5.09	HS	S	
ML-PE-1727	C22170	1991	GOVERNMENT OF MALI	HEALTH/POPULATION/R	0.00	26.60	0.00	8.65	5.01	HS	S	
ML-PE-1756	C23900	1992	GOVERNMENT	MINING CAPACITY	0.00	6.00	0.00	3.78	3.13	U	U	
ML-PE-1752	C23710	1992	GOVERNMENT	PUBLIC WORKS & CAPAC	0.00	20.00	0.00	.53	-7.56	HS	HS	
ML-PE-1745	C23700	1992	GOVERNMENT OF MALI	NATURAL RES. MGMT	0.00	20.40	0.00	15.09	11.01	S	S	
ML-PE-1747	C24320	1993	GOVT OF MALI	PRIVATE SECTOR ASSIS	0.00	12.00	0.00	7.80	2.61	U	U	
ML-PE-1730	C26170	1994	GOVERNMENT OF MALI	TRANSPORT SECTOR	0.00	65.00	0.00	60.26	10.93	HS	HS	
ML-PE-1751	C25570	1994	GOVERNMENT	AG. RESEARCH	0.00	20.00	0.00	13.89	3.32	S	S	
ML-PE-1755	C27370	1995	GOVERNMENT	AGRO-PROCESSING TRD	0.00	6.00	0.00	5.07	1.37	S	S	
ML-PE-1752	C23711	1995	GOVERNMENT	PUBLIC WORKS & CAPAC	0.00	10.00	0.00	2.43	-1.06	HS	HS	
ML-PE-1735	C28940	1996	GOVERNMENT OF MALI	ECONOMIC MGMT	0.00	60.00	0.00	41.19	1.44	HS	HS	
ML-PE-34617	C28500	1996	GOVT OF MALI	SELINGUE REHAB.	0.00	27.30	0.00	25.82	3.45	HS	HS	
ML-PE-1746	C28280	1996	GOVERNMENT OF MALI	VOCATIONAL EDUC TRNG	0.00	13.40	0.00	12.92	0.00	HS	HS	
Total					0.00	436.90	0.00	234.62	57.83			
					<u>Active Loans</u>	<u>Closed Loans</u>	<u>Total</u>					
Total Disbursed (IBRD and IDA):					218.68	686.45	905.13					
of which has been repaid:					0.00	38.15	38.15					
Total now held by IBRD and IDA:					436.90	685.03	1,121.93					
Amount sold :					0.00	0.00	0.00					
Of which repaid :					0.00	0.00	0.00					
Total Undisbursed :					234.62	0.00	234.62					

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

b. Rating of 1-4: see OD 13.05. Annex D2. Preparation of Implementation Summary (Form 590). Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system will be used (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Note:

Disbursement data is updated at the end of the first week of the month.

Mali
STATEMENT OF IFC's
Committed and Disbursed Portfolio
As of 12/31/96
In Millions US Dollars

FY Approval	Company	Committed				Disbursed			
		-----IFC-----				-----IFC-----			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1992	SOMISY	0.00	1.41	25.87	0.00	0.00	1.41	25.87	0.00
1994	AEF Hotel Bamako	.95	0.00	0.00	0.00	.95	0.00	0.00	0.00
1995	SEMOS	35.00	4.80	0.00	25.00	35.00	4.80	0.00	25.00
Pending Commitments									
1996	* AEF GGG	.39	0.00	.39	0.00				
1991	* AEF-BOAM	0.00	.23	0.00	0.00				
1995	* AEF-SOMAM	1.54	0.00	0.00	0.00				

Meeting with President Museveni of Uganda

February 4 & 5, 1997

Meeting Participants

UGANDAN DELEGATION:

H.E. Yoweri K. **Museveni**, President of the Republic of Uganda
Dr. Thomas **Kiryapawo**, Minister of State in-charge of Entandikwa (GOU's Micro-finance Scheme)
Dr. Martin **Aliker**, Minister of State of Foreign and Regional Affairs
Mr. Emmanuel **Tumusiime Mutebile**, PS/Secretary to the Treasury
Hon. Edith G. **Ssempala**, Ambassador to the United States

BANK STAFF:

Callisto **Madavo**, RVP
Jim **Adams**, Director, AFCD4
Randolph **Harris**, Resident Representative (starting March '97)

EXECUTIVE DIRECTOR:

Joaquim R. **Carvalho**, Executive Director
Godfrey **Gaoseb**, Alternate

• President Museveni has been participating in the Micro-credit Summit (2/2 -2/4), and will participate in the Congressional Prayer Breakfast; we requested this meeting to allow you to be brought up to date on developments in Uganda, and to reinforce your strong personal relationship with President Museveni. • You may wish to commend President Museveni on the peaceful and fair Presidential and Parliamentary elections held in June '96, which broadly endorsed his regime (he won almost 75% of the votes, carrying a majority in all areas except the North). • The Consultative Group (CG) for Uganda (Nov. '96), reconfirmed its support to Government's development program. Donors indicated that new commitments for external financing for Uganda would amount to some \$750 million in FY97 (including ~ \$50 m for debt financing). • Preparation of a new CAS (to be presented to the Board in May '97) is now underway. The central focus of this CAS (in line with GOU's overall development strategy) is poverty reduction through growth, strengthening of economic and social infrastructure, improved delivery of social services, and targeted interventions in the North.	Issues Likely to be Raised: • Status of HIPC Initiative • Emphasis on Roads/Infrastructure • Capacity Building; Governance • Support for Micro-Credit Key Messages to be delivered: • Stable Macro Performance • Poverty Eradication Action Plan • Universal Primary Education • School to School Initiative Portfolio Compact: • Increasingly Collaborative Relations • Solid FY97 Disbursement Performance. • Joint Portfolio Restructuring Plan Special Issues: • Domestic Security Issues
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ISSUES LIKELY TO BE RAISED/DISCUSSED

- **HIPC Initiative.** Total public external debt stock is estimated at ~ \$3.2 billion (60% of the GDP) multilateral debt comprises over \$ 2.4 billion or 76% of this. Museveni is expected to seek information on the progress under the HIPC Initiative, and stress the necessity for earliest possible debt relief. **Uganda is expected to be among the very first countries to benefit from HIPC. It is envisioned that the Bank and IMF Boards will meet later this month (2/97) to review Uganda's eligibility.**
- **Emphasis on Infrastructure/Roads.** In past meetings President Museveni has emphasized the importance he places on improved roads to address poverty. **You may wish to commend GOU for development of a comprehensive 10-year Roads Sector Development Program** (totaling \$1.5 billion) which provides a framework for implementing a sound nation-wide road network. It was discussed and endorsed by the donor community at a conference held together with the Consultative Group in November. **Bank expects to support with a \$30 m IDA credit for institutional/engineering capacity strengthening later this year, and a follow-up \$270 m First Roads Sector Project next year.**
- **Capacity Building & Good Governance.** President Museveni has consistently emphasized capacity building and has played a leadership role in the Capacity Building Initiative launched with your support by the African EDs. A Uganda National Capacity Assessment was undertaken by GOU in 6/96. This will serve as the framework for IDA's support to capacity building efforts in Uganda. Good governance has been specified by Museveni as one of GOU's key priorities and the Government has demonstrated its commitment to fighting corruption at all levels. **The Bank (with substantial EDI inputs) has embarked on a major effort on governance and corruption which will be expanded over the next 3 years.**
- **Micro-credit Sector.** Sector is being given increased attention by donors/NGOs/GOU, and numerous attempts to efficaciously deliver micro/rural finance services in Uganda have been made; GOU has made some forays in the sector via its Entandikwa scheme, with poor results; reinforcing the lesson that Govt. sponsored credit schemes/institutions are rarely effective. Uganda's Vice-President recently sought IDA's assistance in replicating the successful Bangladesh experience via a "sister Grameen". **Given the present lack of clarity with regard to the roles of various GOU entities involved in the sector, you may wish to ask Museveni to identify a locus within GOU for initiating a coherent dialogue on the sector, and for building policy formulation capacity. Bank is presently undertaking a Non-Bank Finance Study to review in-depth the sectoral issues/constraints.**

MAJOR MESSAGES TO BE DELIVERED

- **Macro Performance.** Uganda's impressive economic performance has continued well above regional average; GDP growth in 95/96 was 8.5%. Annual average rate of inflation declined from 35% in 91/92 to 5.4% by year-end '96. **Uganda's consistent 10-year track record of implementing macroeconomic and structural reforms is unparalleled in Africa; the leadership role Museveni is playing within the region on economic reform/ integration is key.** In this context, GOU & IDA appraised the Third Structural Adjustment Credit (SAC III -- US\$ 100 m.) in Oct. '96; it is to be presented to the Board in May (with the CAS). We await GOU's approval of the SAC III draft Letter of Development Policy and Policy Matrix. **In particular, you may emphasize the need to: i) approve trade policy reform measures to lower the anti-export bias and eliminate discrimination against the rural economy; and ii) resolve issues relating to Uganda Development Bank's drain on fiscal resources.**

- **Poverty Eradication.** Museveni's personal commitment to finalizing a **Poverty Eradication Action Plan** has been a major plus with donors and NGOs; the Bank has been fully involved in this effort but has been careful to ensure GOU leadership and ownership. IDA lending will directly support this: over the next five years IDA's program (averaging some \$250 m/year), includes interventions in critical social services (health, education), economic infrastructure (roads, power) and agriculture. Of particular importance to our Program is recent GOU commitment to **Universal Primary Education (UPE)** by 2003. This was part of Museveni's election platform; we are supporting GOU's efforts through Primary Education Project (\$52.6 m) and analytic work, and are considering a policy-based Education Sector intervention in future.
- **School to School Initiative.** Three Ugandan schools are connected to Internet; on 11/1/96 they began communicating with Jackson Hole School on-line, opening up possibilities for joint research, access to information, etc. Critical to the continued success of the pilot is the sustained enthusiasm of teachers/students. In Uganda, efforts are underway to utilize education technology to enhance the teaching/learning context; increasing partnership with education networks on Internet; and use sister cities networks to strengthen community involvement in the education sector. At Jackson Hole, we are looking at ways to keep interest high. The encouraging results have IDA/GOU looking forward to expanding the program in Uganda over the next 12 months.

BANK GROUP'S RELATIONSHIP WITH THE BORROWER

- **Portfolio Compact.** You may wish to express your support of the increasingly collaborative working relationship on all key implementation issues between the Bank & GOU. The portfolio (at '96-end) comprised 22 projects representing total commitments of \$910.7 m; undisbursed balances amount totaled \$558.2 m or 61.3% of commitments. **Disbursement performance to date is solid:** disbursements in Jun-Dec. '96 were \$59.1 m (an annualized disbursement ratio of 20.8%). Anticipated disbursements this year total \$170 m. **We are on track to increase disbursements (ratio) by 30% over last year -- in line with the regional target.**
- As of end-'96, 5 projects have recorded unsatisfactory performance. As agreed with the Ugandan Delegation during Annual Meetings, preparatory work for a Country Portfolio Performance Review (CPPR) was initiated in late '96. **A formal CPPR meeting is scheduled for March in Kampala, following which GOU and IDA staff will jointly produce a formal portfolio restructuring plan to be reviewed/approved by Museveni and yourself.**

SPECIAL ISSUES

Security Issues. Security problem in the North (Sudan backed rebels/internal dissident groups' activities) and recent turbulence on Zaire front have strained budget/fiscal management. However, total defense expenditure as a % of GDP has not gone up dramatically (1.93% in 87/88 at inception of Museveni Govt.; 2.2% in FY96, and projected to decline to 1.65% by 98/99). In addition to a military response to the factions in the North, Museveni has sought to initiate a dialogue with the Government of Sudan to address this issue. It is critical to continue to address the development imbalance between the North and rest of the country. GOU has taken some steps via the IDA supported Northern Uganda Reconstruction Project (\$71.2 m), for reconstruction of critical socio-economic infrastructure; a follow-up NURP II is also included in IDA's lending pipeline. **Encouragement needs to be given to efforts at reducing socio-political/ethnic tensions in Great Lakes Region. While recognizing that security problems are real and must be addressed, the parallel challenge is to pursue economic integration of the areas which have not benefited from Uganda's growth.**

Status of Bank Group Operations in Uganda IBRD Loans and IDA Credits in the Operations Portfolio

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions			Undisbursed	Difference Between expected and actual disbursements	Last ARPP Supervision Rating	
					IBRD	IDA	Cancellations			Development Objectives	Implementat Progress
No.of Closed Loans/credits: 59											
Active Loans: 20											
UG-PE-2909	C21240	1990	GOVERNMENT	WATER SUPPLY II		60.00	0.00	24.84	19.56	S	S
UG-PE-2929	C22680	1991	GOVERNMENT	POWER III		125.00	0.00	75.45	75.49	U	U
UG-PE-2930	C21760	1991	GOVERNMENT	LIVESTOCK		21.00	0.00	11.03	8.79	S	S
UG-PE-2933	C22060	1991	GOVERNMENT	URBAN I		28.70	0.00	8.41	6.25	S	S
UG-PE-2981	C23620	1992	GOVERNMENT	NORTHERN RECONSTRUCT		71.20	0.00	25.67	-0.04	S	S
UG-PE-2968	C23150	1992	GOVERNMENT	ENTERPRISE DEVELOPME		65.60	23.75	25.38	28.15	S	S
UG-PE-2953	C24930	1993	GOVERNMENT	PRIMARY EDUC. & TEAC		52.60	0.00	34.55	9.49	S	S
UG-PE-2991	C24240	1993	GOVERNMENT	AGRIC. EXTENSION PRO		15.79	0.00	4.92	2.40	S	S
UG-PE-2938	C24460	1993	GOVERNMENT	AGRIC. RES & TRG.		25.04	0.00	11.91	-1.98	S	S
UG-PE-2975	C24180	1993	GOVERNMENT	ECON & FINANCIAL MAN		29.00	0.00	5.69	-10.45	HS	S
UG-PE-2977	C26090	1994	GOVERNMENT	COTTON SECTOR DEVELO		14.00	0.00	10.63	3.87	S	S
UG-PE-2924	C25870	1994	GOVERNMENT	TRANSP. REHAB.		75.00	0.00	70.62	32.14	S	S
UG-PE-2957	C25830	1994	GOVERNMENT	SMALL TOWNS WATER		42.30	0.00	34.97	10.79	S	S
UG-PE-2963	C26030	1994	GOVERNMENT	SEXUAL TRANS.IN		50.00	0.00	46.76	10.47	S	S
UG-PE-2976	C27360	1995	GOVERNMENT	INST. CAPACITY BLDG		36.40	0.00	31.58	3.07	HS	S
UG-PE-2971	C26790	1995	GOVERNMENT	DISTRICT HEALTH		45.00	0.00	41.32	1.41	S	S
UG-PE37582	C28450	1996	GOVERNMENT	AG SEC MGT PROJECT		17.90	0.00	17.37	.80	S	S
UG-PE35634	C27980	1996	GOVERNMENT	PRIV. SECTOR COMPETI		12.30	0.00	10.85	1.43	S	S
UG-PE2978	C27770	1996	GOVERNMENT	ENVIRONMENT MANAGEMI		11.80	0.00	9.48	2.24	S	S
UG-PE46836	C29090	1997	GOVERNMENT	LAKE VICTORIA ENV.		12.10	0.00	12.06	0.00		
Total						810.73	23.75	513.50	203.86		

	Active Loans	Closed Loans	Total
Total Disbursed (IBRD & IDA):	299.67	1,521.60	1,821.27
of which repaid:	0.00	100.20	100.20
Total now held by IBRD and IDA:	786.98	1,394.66	2,181.64
Amount sold:	0.00	25.82	25.82
Of which repaid	0.00	25.82	25.82
Total Undisbursed	513.50	51.53	565.03

UGANDA: Statement of IFC's
Committed And Disbursed Portfolio
As of 12/31 96
(US Dollars Millions)

FY Approval	Company	Committed				Disbursed			
		-----IFC-----				-----IFC-----			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1984	DFCU	0.00	.38	0.00	0.00	0.00	.38	0.00	0.00
1992	AEF Clovergem	.73	0.00	0.00	0.00	.73	0.00	0.00	0.00
1992	DFCU	0.00	.60	0.00	0.00	0.00	.60	0.00	0.00
1993	AEF Nile Roses	.21	0.00	0.00	0.00	.21	0.00	0.00	0.00
1993	AEF Rwenzori	.81	.19	0.00	0.00	.81	.19	0.00	0.00
1993	Jubilee	0.00	.10	0.00	0.00	0.00	.10	0.00	0.00
1994	AEF Polypack	.80	0.00	0.00	0.00	.80	0.00	0.00	0.00
1994	AEF Skyblue	.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1994	Celtel	3.86	.64	.80	0.00	3.86	.64	.80	0.00
1995	AEF Rainbow	.79	0.00	0.00	0.00	.79	0.00	0.00	0.00
1995	Uganda Leasing	2.00	.33	0.00	0.00	.30	.33	0.00	0.00
1996	AEF Agro Mgmt	.60	.40	0.00	0.00	.38	.40	0.00	0.00
1996	AEF Govinda Kiri	.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1996	EAGW	6.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pending Commitments									
1997	* AEF CONRAD PLAZA	1.50	0.00	0.00	0.00				
1997	* AEF SAMBIYA	.37	0.00	0.00	0.00				
1996	* KASESE COBALT	16.00	3.58	0.00	5.00				

Uganda - Selected Indicators of Bank Portfolio Performance and Management

Indicator	FY94	FY95	FY96	FY97
<i>Portfolio Performance</i>				
Number of projects under implementation	31	28	26	22
Average implementation period (years)	3.92	3.88	3.83	4.05
Percent of problem projects rated U or HU ^{a/} (for past years, rated 3 or 4)				
Development objectives	3.23	0.00	3.85	9.09
Implementation progress (or overall status for past years)	12.90	10.71	7.69	18.18
Canceled during FY in USSm	2.87	31.76	3.31	5.99
Disbursement ratio (%) ^{b/}	14.52	13.35	15.83	10.35
Disbursement lag (%) ^{c/}	30.91	27.92	26.31	32.75
<i>Portfolio Management</i>				
Supervision resources (total USS thousands)	1445.59	1852.16	2263.02	783.95
Average supervision (USS thousands/project)	46.63	66.15	87.04	35.63
Supervision resources by location (in %)				
Percent headquarters	73.74	80.00	70.33	69.73
Percent resident mission	26.26	20.00	29.67	30.27
Supervision resources by rating category (USS thousands/project)				
Projects rated HS or S	44.08	67.30	78.89	31.35
Projects rated U or HU	63.87	56.58	184.84	62.62

^{a/} "HS" denotes "Highly Satisfactory", "S" denotes "Satisfactory", "U" denotes "Unsatisfactory", and "HU" denotes "Highly Unsatisfactory".

^{b/} Investment projects only.

^{c/} For all projects comprising the Bank's country portfolio.

**Uganda - Bank Group Fact Sheet
IBRD/IDA Lending Program**

Attachment 3
Page 1 of 2

<i>Category</i>	<i>Past</i>		<i>Current</i>		<i>Planned</i>		
	1994	1995	1996	1997	1998	1999	2000
Commitments (US\$m)	262.4	82.0	42.0	112.1	140.0	435.0	290.0
<i>Sector (US \$ m)</i>							
Agriculture	13.9	0.0	17.9	12.1	60.1	20.0	65.8
Environment	0.0	0.0	11.8	0.0	0.0	0.0	0.0
Social Services	50.1	45.0	0.0	0.0	40.0	50.0	9.9
Health	50.2	45.0	0.0	0.0	40.0	0.0	9.9
Education	0.0	0.0	0.0	0.0	0.0	50.0	0.0
Finance	1.0	0.0	12.3	0.0	9.9	0.0	22.9
Infrastructure	117.4	0.0	0.0	0.0	30.0	335.0	191.4
Power	0.0	0.0	0.0	0.0	0.0	0.0	135.7
Transportation	75.1	0.0	0.0	0.0	30.0	300.2	0.0
Urban Development	0.0	0.0	0.0	0.0	0.0	34.8	55.7
Water Supply & Sanitation	42.3	0.0	0.0	0.0	0.0	0.0	0.0
Public Sector Managmnt/Capacity	0.0	36.4	0.0	0.0	0.0	30.0	0.0
Non-Sector Specific (Adjustment)	80.0	0.6	0.0	100.0	0.0	0.0	0.0
TOTAL	262.4	82.0	42.0	112.1	140.0	435.0	290.0
<i>Lending instrument (US\$m)</i>							
Adjustment loans	80.0	0.6	0.0	100.0	0.0	0.0	0.0
Specific investment loans and others	182.4	81.4	42.0	12.1	140.0	435.0	290.0
TOTAL	262.4	82.0	42.0	112.1	140.0	435.0	290.0
<i>Disbursements (US\$m)</i>							
Adjustment loans	82.2	102.5	49.5	3.0	0.0	0.0	0.0
Specific investment loans and others	82.7	90.5	111.4	59.1	103.5	75.6	50.5
Repayments (US\$m)	11.8	22.0	7.9	3.9	0.0	0.0	0.0
Interest (US\$m)	10.8	12.5	13.3	6.7	0.0	0.0	0.0

Uganda - IFC and MIGA Program, FY94-97

Category	Past			
	1994	1995	1996	1997
IFC approvals (US\$m)	5.60	.41	28.08	0.00
Sector (US\$ m)				
	0.00	0.00	0.00	0.00
Financial Services	0.00	0.41	1.97	0.00
Infrastructure	5.60	0.00	0.00	0.00
Manufacturing	0.00	0.00	6.46	0.00
Mining & Metals	0.00	0.00	19.65	0.00
TOTAL	5.60	0.41	28.08	0.00
Investment instrument (US\$ m)				
Loans	4.17	0.00	24.43	0.00
Equity	0.65	0.41	3.65	0.00
Quasi-Equity ^a	0.79	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
TOTAL	5.60	0.41	28.08	0.00
MIGA guarantees (US\$m)	15.00	11.00	15.00	15.00
MIGA commitments (US\$m)	40.00	40.00	0.00	0.00

^aIncludes quasi-equity types of both loan and equity instruments.



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FROM: Cynthia Case, EXTME

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NOTE

SUBJECT: CNN interview on Micro-credit

Klas Bergman asked me to forward the following information concerning the microcredit media interview slot scheduled for Mr. Wolfensohn on Tuesday, February 4 at the Sheraton.

CNN International would like to conduct a 15-minute taped interview immediately following the closing plenary session (approx. 3:30 - 3:45). The piece is to air the following day on "Business Asia".

White House correspondent Jill Dougherty (who did a piece on the Summit for CNN Headline News over the weekend) and the CNN cameraman will conduct the interview in the Bank's office at the Sheraton: Park Tower room 8224. Questions will be limited strictly to general policy questions on Mr. Wolfensohn's and the Bank's position on microcredit.

Mark has approved this request, and he recommends that this be Mr. Wolfensohn's only press interview for the day.

David Theis (x31955) will escort Mr. Wolfensohn to the interview; he will coordinate the details with Caroline Anstey.

Please let me or David know if you need more information.

Thanks very much.

Cynthia Case

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The World Bank

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MICROFINANCE

Over the past decade, microfinance—providing access to financial services (such as credit and savings) to low-income entrepreneurs—helped raise employment, income, and living standards of the world's poor.

The World Bank believes that sound economic management, investing in the education and health of people, and focusing on broad-based growth strategies are essential to reducing poverty on a large scale. Microfinance, therefore, is an important complement to current Bank efforts.

"Micro-level financial schemes help people help themselves by starting small scale income generation projects and businesses. They are a particularly effective way of reaching women, thereby helping to improve the incomes and well-being of their children and families,"
says World Bank President James D. Wolfensohn.

Many multilateral and bilateral agencies, development banks, non-governmental organizations (NGOs), and community organizations are increasingly involved in the field of microfinance. Microfinance institutions include organizations that offer savings programs or make loans in small amounts (usually less than \$1,000) and whose clients are mainly low-income households, self-employed, or engaged in very small productive or commercial operations—those microenterprises not typically served by formal banks. A microenterprise typically is an informal sector business with five workers or less, and with fixed assets valued at less than \$10,000.

The default rate on loans is small, and the positive impact they have in the lives of low-income borrowers and their communities is significant. In Bangladesh, for example, where the Grameen Bank has been conducting microenterprise lending for twenty years, reaching more than 35,000 villages, the recovery record on loans is over 98 percent. The figures are just as encouraging in West Africa, where repayment rates consistently exceed 90 percent. These

Microfinance Institutions				
1995 Median Loan and Deposit Characteristics by Institutional Type				
	Median No. of Loans Outstanding per Institution	Median Loan Size	Median No. of Deposit Accounts per Institution	Median Deposit Size
Banks	44,271	\$681	39,883	\$186
Credit Unions	15,320	\$449	38,610	\$409
NGOs	1,781	\$248	0	\$0
Source: Sustainable Banking with the Poor, World Bank				

institutions also provide highly-valued savings services. Not only do savings programs provide the poor with a safe place to keep their money, but credit programs are more sustainable when they are financed with personal savings.

The total portfolio of microfinance institutions world-wide is estimated at US\$2.5 billion. Given that this represents only a small portion of total market demand, there is still enormous potential for growth in the microfinance sector.

The field of microfinance was pioneered by specialized NGOs and commercial banks such as BRI-Unit Desa (Indonesia), Grameen Bank (Bangladesh), K-Rep (Kenya), and Prodem/Banco Sol (Bolivia) among others.

The Largest Microfinance Institutions Worldwide

Colombia	Caja Social
Bangladesh	BRAC
Bangladesh	Grameen Bank
Indonesia	BRI Unit Desa
Sri Lanka	National Savings Bank
Thailand	BAAC
Thailand	The Government Savings Bank
Vietnam	Vietnam Bank of Agriculture

Source: Sustainable Banking with the Poor, World Bank

"There is a need to build strong local and sustainable micro-finance institutions that provide financial services to the poor, as a way to reach large numbers of poor clients. Micro-finance is an exciting development initiative because it represents a pragmatic home-grown grass-roots local initiatives," says Mohini Malhotra, Manager of the Consultative Group to Assist the Poorest. "It demonstrates the poor as economic agents of change willing to pay the price of good services tailored to their needs and not perpetual recipients of charity."

More than 500 million of the world's economically active poor people run profitable micro- and small businesses. Financial services to low-income entrepreneurs may be the single most effective way to reduce poverty and achieve broad-based economic growth. Yet, less than 2 percent have access to financial services such as savings and credit. This lack of access to financial services is a key constraint faced by many microentrepreneurs and the economy as a whole.

Microentrepreneurs have shown that they repay market-based loans, and use the proceeds to increase their assets, their living standards, and their roles in shaping societies. NGOs, other specialized financial institutions, and many banks have shown that microlending can be profitable.

"These programs have demonstrated that the very poorest people in the world really can pull themselves out of poverty, if only given the same opportunity as other people," says Mr. Ismail Serageldin, World Bank Vice President of the Environmentally Sustainable Development Department. "Micro-loans work because they are not a handout, the poor work very hard, and such programs could prove to be one of the keys to really ending extreme poverty around the globe."

Investing in Women

Providing small loans to the world's poorest women—many of whom earn less than a dollar a day and have no capital or land—is one of the most successful ways of helping the 700 million women and their children living in extreme poverty world. Currently, 90 percent of the 550 million poor rural women around the world lack access to credit, even though loans of as little as \$100 would allow them to improve their livelihoods.

Poor women tend to be good credit risks:

- Women are outstanding borrowers, often returning 98 percent of the money they borrow; and
- Women spend most of their income on activities that nurture families such as on education, health care, and better nutrition.

Governments, financial institutions, and donors play a key role in promoting sustainable provision of micro-financial services to the poor and ensuring an enabling environment for the development of institutions providing those services. The objective for all key partners involved in this effort is to provide sound, responsive, market-based financial services in ways that are advantageous to both the clients and the institutions that serve them. The goal should be to provide access, not subsidies to low-income entrepreneurs.

Microfinance and the World Bank

The World Bank plays a pivotal role in working with governments to create an enabling business environment for microfinance institutions, and making linkages between the overall macro-economic framework and microfinance. For example, the Bank provides assistance in improving the legal and regulatory environment for micro-enterprises, and in carrying out financial sector reforms that are conducive to sustainable microfinance institutions. These include: removal of ceilings on interest rates and competing subsidized credit schemes, restrictive banking laws, prudential regulation and supervision to accommodate non-bank financial institutions (particularly those involved in savings mobilization and uncollateralized credit to individuals through solidarity groups), and changing property rights/collateral laws.

The Sustainable Banking with the Poor (SBP) program at the World Bank gathers and disseminates knowledge and innovations in microfinance. Supported by Bank resources and funding from the governments of Norway, Switzerland, and the Ford Foundation, SBP efforts help to incorporate microfinance best practice in World Bank projects as well as in program design by other donors and practitioners.

Promoting Policy Dialogue in Microfinance

The World Bank has a long experience in working with developing country governments to create an enabling environment for financial intermediation in general. Examples of Policy Dialogue:

- West Africa—In June 1996 the World Bank, in partnership with other donors, coordinated a High-Level Policy Forum on Microfinance in Mali, West Africa, which was attended by microfinance practitioners and policy-makers of 16 nations. This Forum constructively addressed issues regarding the regulatory environment for microfinance, including interest rates and the legal structure of financial intermediaries. It also provided an arena for microfinance practitioners to express their views directly to government officials. This event has laid the foundation for future policy dialogue to improve the environment for microfinance.
- India—The World Bank's India country department has recently initiated more intense dialogue with the Indian government regarding policy issues which affect rural and microfinance. In particular the Bank has made significant progress with the National Agricultural Bank for Rural Development (NABARD) which has begun to re-think its policies to better reach poor areas of India. As a result, NABARD today is more interested in alternative financial service delivery models, and is developing a rating system to allow donors to compare the financial performance of NGOs.

The World Bank chairs and is a member of the Consultative Group to Assist the Poorest (CGAP), a multi-donor effort to systematically increase resources in microfinance to broaden and

deepen the success of the work done by pioneer institutions in this field. CGAP grew out of a joint decision by a group of donors at the 1993 Hunger Conference and was officially formed in June 1995. There are 23 donors who have jointly pledged roughly US\$200 million to the CGAP portfolio. The Bank, along with the governments of the Netherlands, Luxembourg, Belgium, and Norway have provided funding to a three-year "core-fund" that is administered by the CGAP Secretariat to support eligible microfinance institutions.

Regional Examples

- ***Albania Rural Poverty Alleviation Project***

This project, approved by the World Bank in 1993, created International Development Association (IDA)-financed village credit funds (VCFs) to communities in Albania. Under this system, village banks deliver financial services to the poor who face limited access to formal financial institution loans and savings facilities. A village bank typically serves 25 to 40 members who deposit their savings to the extent of their ability, and borrow small amounts that are repaid in installments. The system is capitalized by loans from external sources. As of December 1995, 93 VCFs had been established, 4,300 loans disbursed (with average loan size of \$350), and repayment rates stood at almost 100 percent. Two lessons have emerged from this experience: (i) local traditions play a role in determining the methodology and (ii) access to credit can play an important role in a transition economy.

- ***Local Initiatives Project in Bosnia***

This 1996 project, funded by the World Bank, Danish Refugee Council, and other donors is providing small loans for rural and urban unemployed, especially demobilized soldiers, small farmers, and war widows. Many Bosnians have already benefited from this program. Through local NGOs organizations, Bosnians such as Srebrenican refugee women have been trained in new skills, prepared business plans for starting micro-enterprises, and have obtained loans of 500 German marks. One refugee has bought art supplies and is making souvenirs, another has started a clothing-repair business, and a third has bought a knitting machine and is producing sweaters for sale in the market across the road.

- ***Poverty Alleviation Microfinance Project in Bangladesh***

This project, approved in September 1996, will provide US\$105 million IDA credit to help more than 100 NGOs expand microlending to an estimated 1.2 million poor and mostly female borrowers. The project will channel funds to **Palli Karma Sahayak Foundation** (PKSF), a quasi-government agency, which lends to promising small and medium NGOs to expand their microcredit programs. It will also help strengthen PKSF and partner organizations and ensure their institutional and financial viability through training, research, impact evaluation, and disseminating best practices for increasing cost effectiveness. The project—the Bank's first microfinance operation in Bangladesh—was conceived by a government-led task force comprised of key stakeholders: the Government of Bangladesh, PKSF, and microfinance institutions. The project design incorporates the recommendations of this task force.

Practitioners, governments, financiers, non-governmental organizations and academics will gather in Washington in early February for the Microcredit Summit. The Summit's goal is to provide credit for self-employment and other financial and business services to 100 million of the world's poorest families, especially the women of those families by the year 2005. The organizers of the Microcredit Summit recognize that any reference to microcredit should be understood to refer to programs that provide credit for self-employment, and other financial and business services (including savings and technical assistance) to very poor people.

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Contact: Rebeca Robboy: (202) 473-0699

Internet: Rrobboy@worldbank.org

Durudee Sirichanya: (202) 458-9031

Internet: Dsirichanya@worldbank.org

Paul Mitchell1: (202) 458-1423

Internet: Pmitchell@worldbank.org

MICROLENDING GAINS MOMENTUM IN BANGLADESH

Poverty alleviation project will help NGOs expand microlending to poor women

DHAKA, September 18, 1996—The World Bank today announced the approval of a US\$105 million credit for a Poverty Alleviation Microfinance Project which will help more than 100 NGOs expand microlending to an estimated 1.2 million poor and mostly female borrowers. The credit is provided by the International Development Association (IDA), the World Bank's concessionary lending affiliate.

The project will channel funds to **Palli Karma Sahayak Foundation (PKSF)**, a quasi-government agency, which lends to promising small and medium NGOs to expand their microcredit programs. It will also help strengthen PKSF and partner organizations and ensure their institutional and financial viability through training, research, impact evaluation, and disseminating best practices for increasing cost effectiveness.

"The project will bring about a fundamental shift—from a mostly grant-based microfinance system to a loan-based system. As a result of the project, the government has decided that all future budgetary funding of PKSF will be in the form of loans, not grants, and several partner organizations will be using loan funds for the first time," says **Abid Hasan, Principal Operations Officer, Private Sector Development Division at the World Bank.**

ABOUT PALLI KARMA SAHAYAK FOUNDATION (PKSF)

The establishment of PKSF in 1990 as an apex financing institution for providing funds to NGOs to expand their microcredit programs is a major institutional innovation in Bangladesh. Although established and funded by the Government of Bangladesh, PKSF is a private non profit foundation. Its governing body has a majority of non-government members and its compensation and staffing policies are independent of government. PKSF proactively solicits new "partner organizations"—the term used by PKSF for microfinancing organizations borrowing from it—but maintains tight entry standards. Today, PKSF has more than 120 partner organizations which have mobilized 1.2 poor women into groups; however only a quarter of the mobilized women have been provided loans because of funding shortages and cautious lending policies.

The project—the Bank’s first microfinance operation in Bangladesh—was conceived by a government-led task force comprised of key stakeholders: The Government of Bangladesh, PKSF, and microfinance institutions, and the design incorporates the recommendations of the task force. The Association of Development NGOs in Bangladesh has praised the project as a “historic initiative” by the World Bank.

The microfinance movement

“Microcredit for income generating self-employment activities, often no more than US\$50, can make all the difference for a poor woman and her family. Studies show that households that received microcredit have better living standards and higher social indicators. Microcredit can help poor families accumulate capital, gain a steady income, and, over time, permanently escape from poverty,” says **Abid Hasan**. *“Bangladesh’s vibrant NGOs have made good progress in carrying out microcredit schemes, and the scope for expansion is enormous.”*

The microcredit movement was initiated in the early 1980s by the Grameen Bank, one of Bangladesh’s best known providers of micro credit. In late 1980s institutional credit providers mushroomed when many non-profit NGOs, recognizing the importance of stable income and capital accumulation on poverty alleviation, started targeted savings and credit programs for income generating self-employment. These programs have grown rapidly; during the past five years, the Grameen Bank disbursed about US\$1.1 billion to around 2 million borrowers, while more than 150 NGOs providing microcredit have disbursed about US\$260 million to more than 2.5 million borrowers. While the key operational and financial features of the credit programs are similar, the scope of lending and non-lending services offered by each microfinance institution varies. At one end of the spectrum are institutions whose non-lending services—comprising about half of their activities and credit schemes—include skills training, marketing assistance, and social empowerment. At the other end are institutions where credit activities dominate and technical assistance, if any, is limited. The typical microcredit lending scheme has the following key features:

- It is targeted to the landless/assetless.
- Borrowers are part of a 15-20 person group which meets regularly.
- Women are given preference (women make up more than 80 percent of the total borrowers).
- Loans are collateral-free, and usually have a maturity of 50 weeks with weekly repayments.
- Savings is an integral part of the program.
- Financial transactions are recorded in individual passbooks in the presence of the entire group to enhance transparency and self-monitoring.
- Microfinance institutions start with a small loan (about US\$25-\$75) and provide repeater loans of increasing amounts as long as repayment of the earlier loan is satisfactory. This repeater feature is critical to the excellent repayment performance (most microfinance institutions have loan repayment rates in excess of 95 percent). More importantly, the basic premise is that the poor need to have continuous access to credit for 8-10 years to accumulate enough savings/assets to escape poverty.
- Microcredit institutions usually have upper loan limits, but few have a policy of “graduating” a borrower from the program, since borrowers of large loans are low risk after being in the system for several years.
- Borrowers have full freedom to choose the activity to be financed by the loan, which are mostly rural non-farm activities with short gestation and daily sales such as poultry farming, petty trade and shopkeeping, cattle raising, or handicrafts.

Who are the borrowers?

According to case analyses by the Association for Social Advancement (ASA), the target group includes:

- landless women such as Bedana, age 35, who initially received Tk 1,000 (about US\$24) to purchase goats and chickens. This enabled her to improve her four children's diet and earn some income from the sale of eggs and chicken. In the following years, she received larger loans that enabled her to buy and run a small grocery shop. A development education class taught her basic skills in math. She also learned about the impact of health, nutrition, and sanitation on her family's well-being.
- women such as Sokhina, age 27, whose family lost everything in a devastating flood. An initial loan of Tk 500 (about US\$12) helped her family survive and resume their business of paddy husking. The family also purchased a goat for fattening, and profits from its sale and from paddy husking enabled Sokhina's husband to buy a rickshaw to further increase the family's sources of livelihood. A second loan of Tk 1,000 helped Sokhina start a mat business. Finally, a Tk 3,000 loan (about US\$72), combined with Sokhina's personal savings, allowed the family to purchase land, which was used for jute-cropping.
- poor young widows such as Rahima Begum, age 31. After her husband's death, Rahima learned sewing in an effort to sustain herself. But she was unable to get credit to purchase a sewing machine. An initial loan of Tk 1,000, combined with her savings, permitted her to buy a basic sewing machine. She began a tailoring business, which gradually expanded. With the help of a further loan of Tk 2,000 (about US\$48), she bought another sewing machine and employed an assistant. Profits from the business financed much-needed repairs in the house and Rahima's tailoring business is now worth Tk 6,000 (about US\$144).

The US\$105 million credit to the Government of Bangladesh is made on standard IDA terms with 40 years' maturity. The government will onlend IDA funds to PKSf at 1 percent for 20 years, with five years' grace. PKSf will relend to its partner organizations—eligible microfinance institutions—at interest rates ranging from 3-5 percent. The partner organizations will be free to set the final lending rates to the beneficiaries (expected to be in the 25-30 percent range). Total project costs are US\$136.

-###-

A L L - I N - 1 N O T E

DATE: 02-Feb-1997 11:13pm EST

TO: See Distribution Below

FROM: Mieko Nishimizu, SA1DR

(MIEKO NISHIMIZU@A1@WBHQB)

EXT.: 80600

SUBJECT: RE: Informal Discussion: Poverty

Colleagues,

This is just to follow up on Fred's EM to all of us.

Steve Rasmussen is the Chief Executive Officer of the Agha Khan Rural Support Programme (AKRSP). As part of the Agha Khan Foundation's Group, AKRSP is an NGO operating in the Northern Areas of Pakistan -- a long-disputed territory with India, administered by the Federal Government of Pakistan.

The Northern Areas' villages are scattered across valleys of the beautiful but harsh Karakoram-Himalayan mountain range, where people from many far places (as far away as northern China, Greece and Eastern Europe) settled over centuries to escape persecution and war. As such, these are fiercely private and independent people of a variety of ethnic origins who have shunned governmental authorities for centuries. They are also people of exceptional physical and spiritual strength, having made a go of hostile physical and climatic environment that we would consider simply impossible to survive in.

The mission of AKRSP is to help these rural communities help themselves out of poverty, by facilitating technical and micro-credit assistance to development projects and programmes formulated by the villagers themselves. To do so in such communities -- some of them essentially closed to outsiders for ages -- is no mean feat, and AKRSP embodies in itself the critical importance of mutual trust and client ownership in development partnership.

Some of you are familiar with the South Asia Region's "village poverty-exposure" training program for its staff that commenced in October last year. A group of ten SA1 staff spent one week living in the Northern Areas, and one week in a southern province of Pakistan called Balochistan, under tutelage of AKRSP and the Balochistan Rural Support Programme (BRSP, another highly successful NGO replicating the AKRSP model in an entirely different social/tribal culture).

Steve Rasmussen, together with his like-minded friend Qazi Azmat Isa (BRSP's Chief Executive Officer), was instrumental in the success of this training program. When we initially approached Steve with the idea, he immediately saw its tremendous learning potential, gave no hint of the enormous logistical problems to be solved or health risks that needed to be managed, and mobilized his entire organization to provide

my staff with what turned out to be a "mission of a lifetime" and an "unforgettable and humbling experience of professional and personal transformation".

The Bank's operational assistance to Pakistan is already reflecting these staff's learning experience, and is being similarly "transformed" into one that is closer to the grass-roots beneficiaries and that works with NGOs as equal partners for development. The South Asia Region is indebted to Steve Rasmussen's leadership and cooperation for giving a big push to our learning and renewal process. AKRSP/BRSP training program is now an annual program for our Region. In addition, AKRSP and BRSP are now working with our Resident Missions and NGOs in Sri Lanka and Bangladesh to replicate similar training programmes there. Our goal is to provide these training to every single SAS staff over time, and to get repeater training going -- for reality changes at the grass roots.

I hope that the above is useful as a background to the get-together arranged by Fred. I know you will enjoy meeting Steve and learning from his experience and insight in working with us.

Mieko -.

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Microcredit Summit Declaration of Support

Our purpose as an assembly is to launch a global campaign to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the year 2005. We commit to the development of sustainable institutions which assist very poor women and their families to work their way out of poverty with dignity.

To this end we endorse the efforts outlined below and pledge to assist with those that fall within the purview of our institution:

- ◆ Build institutional capacity to reach very poor people in developing countries by (1) strengthening existing microcredit, savings, and business development institutions through networking and exchange of experience, (2) preparing new practitioners through programs of training for social entrepreneurs and microcredit managers, and (3) promoting appropriate policy, legal and regulatory changes;
- ◆ Build institutional capacity to reach poor people in industrialized nations and in the economies in transition by (1) strengthening existing microcredit, savings, and business development institutions through networking and exchange of experience, (2) preparing new practitioners through a program of training for social entrepreneurs and microcredit managers, and (3) promoting appropriate policy, legal and regulatory changes;
- ◆ Develop, announce, implement, and update an Institutional Action Plan outlining how our institution will contribute to the fulfillment of the Microcredit Summit's goal;
- ◆ Enlist others in the campaign to meet the Summit's goal, promote a learning agenda and the exchange of best practices, and encourage the development and fulfillment of institutional action plans; and
- ◆ Work with the media to expand awareness, fuel implementation, and enlist new participants in the campaign.

The Summit estimates that up to US\$ 21.6 billion will be required to meet the estimated needs; the allocation of these funds being highly conditional on the absorptive and expansion capacity of the microfinance institutions to use the funds. The resources needed to achieve this goal will come from multilateral and bilateral donors, government agencies, grant making organizations, the general public, banks, financial markets and other commercial sources, and the savings, interest payments, and service charges of the microcredit clients and others in their communities.

Out of a commitment to these goals and to the spirit of the Microcredit Summit Declaration and Plan of Action, I sign below on behalf of my institution.

Signature

Title

Print Name

Institution

Country

Summit Council

Date



**U.S. Government Statement on Microenterprise Development and Microfinance
For the Microcredit Summit, February 2-4, 1997**

This statement outlines the rationale behind the Clinton Administration's strong support for microenterprise development. It lays out a vision for the role of the public sector in supporting microenterprise development and outlines actions that this Administration plans to take.

The basis for any long term solution to poverty rests in the capacity of people to raise their own incomes. In the United States and in other countries, microenterprise development has been recognized as a promising approach for helping poor people to better their lives. The Clinton Administration sees microenterprise development, and concomitant efforts to provide financial services to microentrepreneurs, as important components of its community economic development strategy here at home and a priority in its foreign assistance strategy abroad.¹

The basic premise of microenterprise development is that the best and most plentiful resource for fighting poverty is the energy of low-income people themselves. In the past, social policy has sometimes disregarded, and thus failed to harness, this energy; all too often, anti-poverty programs have treated recipients as passive, thus reinforcing dependency. This Administration believes that giving people the tools and opportunities they need to increase their incomes themselves is the strongest approach, an approach that affirms the values of hard work and free enterprise while also helping to develop local communities.

The simple idea of bringing poor people's capacities to bear on overcoming poverty, which microenterprise demonstrates so clearly, resonates through many of President Clinton's policies: in education, training, social services, and in foreign assistance. This idea underlies the President's expansion of Head Start, his education initiatives, and expansion of the earned-income tax credit – to help families choose work over welfare, and to make work pay. By enabling poor people in the U.S. to enter the economic mainstream, we reduce the social cost of poverty, increase national productivity, and improve social conditions for all of us.

In our foreign assistance program, this idea underlies an increasing focus on incorporating the vast majority of the world's poor into economic growth strategies. By encouraging inclusive economic growth abroad, we create new markets for American exporters and investors and increase stability, thereby enhancing our national security. This simple, powerful idea, applied widely, is not only in the interest of the poor, it is in the interest of all Americans, no matter where they live or what their economic status may be.

Microenterprises are very small businesses, often owned and operated by low-income families. The term "microenterprise development" refers to policies and institutions that support the emergence and growth of such enterprises through a variety of means, ranging from finance, to training, to creating an enabling policy environment. "Microfinance" involves the provision of credit, savings and other financial products and services to low-income families, often in support of microenterprises, but also to meet other needs, such as housing or emergencies.

Microfinance is an area in which harnessing the energies of the poor has already borne fruit. During the past decade – in countries as diverse as Bangladesh, Indonesia, and Bolivia – financial innovations have emerged that allow financial services to be extended to people, particularly women, and enterprises previously regarded as “unbankable.” With these techniques, it has become possible to lend to very poor people on a businesslike, even profitable, basis. In developing countries, the potential demand for microfinance is enormous and virtually untapped. Just as the creation of the 30-year mortgage transformed home-ownership in our country earlier in this century, so microfinance techniques have the potential to transform the financial systems in many developing countries – from systems that serve primarily a small elite, to systems that serve the vast majority of ordinary people.

It is important to note the key assumptions underlying the Administration’s domestic and international policies towards microenterprise development. In all arenas, they build upon the same key ingredients: the need to access capital, markets, new or appropriate technologies and training in basic business and life skills. Throughout the world, there is an overarching need to promote those policy and regulatory reforms that expand and democratize linkages to the formal financial system. Such efforts will help microenterprise development become an effective means of improving the lives of the poor on a significant scale.

Microfinance in the Developing World

The challenge facing microenterprise development globally is to learn from past successes and to bring microfinance to a sustainable scale. To meet this challenge, microfinance practitioners will have to use past successes as the basis for further transformation of the field.

To date, most innovation in developing microfinance has occurred outside the traditional financial system – with non-government organizations (NGOs), credit unions, and specialized financial institutions. Much of this innovation has been financed by government and international donors such as USAID, the World Bank and other multilateral development banks (MDBs), as well as private foundations. The promise of microfinance in the future, however, depends on its integration with the formal financial system. Fortunately, microfinance has the potential to make this transformation because microfinance services can be provided on a profitable basis. Profitable microfinance institutions will attract private investment, qualify to raise deposits from the public, and operate into the future without subsidies. In short, only profitable institutions will have the access to funds to enable them collectively to reach many millions of clients.

If microfinance is to make a difference to the millions of people around the world who currently lack access to financial services, it will have to move beyond the limited bounds of public funding, to full integration within the private financial market system. Three major efforts are needed to meet this challenge:

- NGOs and other specialized financial institutions should move increasingly away from donor dependence and onto commercial sources of funds, whether through linking to the

financial system or, if and where qualified, through mobilizing savings.

- Commercial financial institutions such as banks and finance companies should begin serving micro-level clients directly. These institutions have the funds and the infrastructure to reach millions of clients, but until now have lacked the techniques and the interest. There are signs that this is changing, as banks in places as diverse as Chile and Sri Lanka are developing their own microfinance services.
- NGOs and specialized institutions should continue efforts to reach the poorest clients, those in remote, rural areas, and those in need of extra social or economic services. Additional efforts are needed to develop innovative methods for reaching these groups on a sustainable basis.

Profitability is key to the future of microfinance. The role of the public sector – governments and international donor agencies – is to initiate and catalyze, through seed capital, technical assistance and policy changes, those changes that will make profitability possible. Public investment must be crafted to support the transition to commercial sources of funds. Several important tasks for donors and government follow from this conception of their role.

Governments, for the most part, should focus on providing the enabling environment for microfinance, through firm but supportive banking regulation and supervision and other legal and regulatory reforms, such as those to protect private property rights, which support the private sector. On the policy level, development of a microfinance industry is part of a continuum of financial sector reforms intended to facilitate economic growth – of micro- and small businesses, as well as medium- and larger-scale enterprises. The goal of governments should be to create financial systems that work and that are accessible. To the extent that governments do make direct investments, it should be in the development of microfinance institutions rather than through directly providing funds for microcredit.

Donors should leverage their limited funds by investing in the most promising microfinance institutions: those with greatest potential to reach large numbers profitably, or those pushing hardest to reach disadvantaged populations. This support should be based on clear performance targets that prepare microfinance institutions for increased reliance upon commercial sources of funds. Donor agencies must particularly avoid using their funds to postpone that time when institutions become financially independent. Together, donors and governments have an important function in promoting adherence to sound financial practices emerging in the international microfinance industry. Increasingly, these practices will become the standards that will serve as the foundation for the emergence of a larger, more mature financial system that serves the poor.

Microenterprise Development in the United States

The U.S. financial system is highly developed. It serves the majority of Americans who are employed in formal jobs. Self employment has grown as Americans seek to replace lost

corporate jobs, supplement incomes generated from minimum and low wage jobs and to create flexible and rewarding work environments. But even here, we are confronted with the need to continually extend the boundaries of the financial system to reach those who are more difficult to serve. Indeed, microfinance is just one example of this Administration's commitment to increasing the flow of private capital and other financial services to economically distressed areas.

- The Clinton Administration has reduced regulations and paperwork to make the Community Reinvestment Act (CRA) more effective for borrowers and less burdensome for banks.
- It launched the Treasury Department's Community Development Financial Institutions (CDFI) Fund to provide seed and expansion capital to community-based banks, community loan funds, community development credit unions, and microlenders.
- It has launched Empowerment Zones and Enterprise Communities around the country.
- It pioneered the use of the Unemployment Trust Fund as the source of self-employment allowances for individuals establishing their own businesses (as an alternative to drawing unemployment benefits while searching for employment).

Microenterprise development is a critical element of this picture. Microenterprise development programs in the United States are a grassroots response to the recognition that low-income people have the potential to build successful enterprises. It is a young, diverse field that operates with diverse types of clients who lack access to finance or business-related skills, including rural entrepreneurs, welfare recipients, dislocated or downsized workers, people with damaged credit histories, struggling entrepreneurs in distressed communities, and recent immigrants. Some need mainly access to credit, while others need help with basic education, technology, or business and life skills.

These characteristics of the microenterprise field – its youth, its diverse mix of clients and services, its placement within a well-developed financial sector and, above all, its grassroots origins – should be the factors that shape government's response. As in the international realm, the role of the federal government is that of a catalyst, helping to move the field forward towards still untested frontiers.

The federal government has an important role to play in defining how microenterprise fits into the national economy, and in ensuring that the policy environment is conducive to self-employment. In shaping support for microenterprise development, the Administration recognizes that initiative in this emerging field has and will continue to come from practitioners. Thus, support mechanisms should be as flexible as possible to allow continued methodological innovation, leading ultimately to a better understanding of what models are most effective. Creative partnerships between government and private entities will be needed.

Over the next five years, as the field of microenterprise development matures, government can assist in promoting and disseminating information about effective methods – “best practices” – and in supporting the emergence of performance standards. Fortunately, commercial banks and thrifts in the U.S., with the encouragement of the federal financial regulatory agencies and the Community Reinvestment Act, have begun to show a willingness to provide loan capital for microenterprise lending. However, government and private foundations continue to remain the chief sources of funding for institutional development and the ongoing operating costs of training, business and social development services that these programs provide.

Plan of Action in Support of Domestic Microenterprise Development

The U.S. Government is involved in several initiatives to support microenterprise development in the United States. Implemented by the Treasury’s Community Development Finance Institutions (CDFI) Fund, these initiatives include:

- Direct funding of microenterprise loan funds through the CDFI Fund program. The CDFI Fund recently made financial awards to two microenterprise programs – ACCION Texas and FINCA USA – and also made investments in several other CDFIs that include microlending as part of their financing programs. The Fund is launching a significant training and technical assistance initiative that will enhance the capacity of CDFIs, including microloan funds.
- Administration of the Presidential Awards for Excellence in Microenterprise Development. President Clinton recently announced the first winners of the Presidential Awards for Excellence in Microenterprise Development. Each award winner exemplifies, in a distinct manner, the dimensions of excellence in the U.S. microenterprise development field.
- Coordination of the Federal Microenterprise Initiative, an effort to promote collaboration among the various federal agencies engaged in supporting microenterprise development. Currently, federal programs housed in agencies such as the Treasury, the Small Business Administration, and the Departments of Health and Human Services, Housing and Urban Development, Labor, and Agriculture support microenterprise development efforts. Interagency collaboration affords a concerted and focused federal effort to advance the development of the microenterprise field.

Plan of Action in Support of International Microfinance

The U.S. Government supports international microfinance through three principal mechanisms: the development assistance programs carried out by USAID; our support for and guidance to the multilateral development banks (MDBs); and our international policy dialogue with other governments through bilateral channels and in multilateral fora. The Clinton Administration is committed to utilizing all three of these channels to support microenterprise development and the expansion of microfinance services around the world.

USAID has been one of the recognized leaders among international donor agencies in its level of support for and expertise in microfinance. In 1994, USAID launched a Microenterprise Initiative designed to make microfinance a more prominent part of its economic growth strategy. Last year, Administrator Atwood renewed this initiative, under which USAID will continue to support microenterprise at annual levels similar to those in recent years, primarily through its overseas missions. It will deepen microenterprise strategies within each regional bureau and in many mission programs. USAID will also maintain a strong central program responsible for funding microenterprise programs of U.S. private voluntary organizations, carrying out research, development and information exchange, and training USAID and partner organization staff. As it works towards the goals of the Microcredit Summit, USAID will:

- Select institutions that show a high potential for reaching the poor while achieving financial viability in its funding decisions about microenterprise;
- Stress linkages to the formal financial system and explore ways to involve commercial financial institutions in microfinance;
- Place special emphasis on poverty lending, and ensure that more than half of all clients served will be women and that more than three-fourths of clients receiving microfinance services from USAID-supported institutions will be poverty-lending clients; and
- Apply performance targeting in its grants, and support the development of international financial performance standards for microfinance.

In coordination with USAID and other U.S. Government agencies, the Treasury Department promotes U.S. development policy through the multilateral development banks (MDBs), including the World Bank and the various regional development banks. The Treasury does this through the Secretary of the Treasury's role on the boards of governors as well as through the U.S. Executive Directors at each of these institutions. Treasury will continue to encourage the MDBs to improve mechanisms for the support of microfinance by:

- Encouraging the MDBs to work directly with governments, as part of individual country lending strategies, to devise the policy and regulatory frameworks supportive of microenterprise and microfinance, including reforms of property rights and labor and capital markets;
- Promoting microfinance institution-building, helping to expand financial intermediation by up-grading the capacities of NGO-sponsored financial institutions and developing new technologies to promote competition for microfinance business among regulated financial institutions;
- Developing sustainable, demand-driven training programs to provide the technical services (such as accounting and bookkeeping, regulatory compliance and marketing support) that can assist microenterprises to grow into businesses within the "formal"

economy;

- Developing innovative programs to channel funds, as appropriate, to entities engaged in microfinance; and
- With USAID, continuing to support the Consultative Group to Assist the Poorest (CGAP) – a multi-donor organization focused on microfinance housed in the World Bank – in its efforts to raise the quality of donor involvement in microfinance operations, mainstream microfinance programs within the Bank, exchange best practices, and develop industry standards.

The U.S. will also pursue its microenterprise development agenda in a variety of bilateral and multilateral fora. For example, at the December 1994 Summit of the Americas, President Clinton along with the Heads of State from 33 other democratic nations in this hemisphere, agreed that strengthened support for microenterprise and small business is a key component of sustainable and equitable development. This agreement laid the foundation for the Inter-American Development Bank's MICRO 2001 program which will build on the past successes with its global microcredit program and the small projects windows of the Inter-American Bank and the Multilateral Investment Fund.

At last year's meeting of the hemisphere's Finance Ministers, this commitment to microenterprise development was reiterated. The Ministers, led by Secretary Rubin, recognized that programs to improve the infrastructure and operations of financial markets are central to expanding small scale entrepreneurs' access to capital, and that microfinance institutions can facilitate the mobilization of savings to fund investment and broaden economic participation. They directed the Committee on Hemispheric Financial Issues, co-chaired by the Treasury Department, to address issues of microenterprise development as part of its broader financial market development agenda.

Through various multilateral efforts – such as the G7/G10 Emerging Markets Initiative on bank supervisory and regulatory reforms – as well as ongoing bilateral policy dialogues, the U.S. will continue to promote microenterprise development and the need to create supportive policy environments for microenterprises and microfinance.

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to 1.4%

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THE CONSULTATIVE GROUP TO ASSIST THE POOREST
[A MICRO-FINANCE PROGRAM]

DRAFT

A REVIEW OF THE WORLD BANK'S MICRO-FINANCE PORTFOLIO

OCTOBER 1996
(REVISED EDITION, DECEMBER 1996)

Mike Goldberg, CGAP
Greg Chen, CGAP

A REVIEW OF THE WORLD BANK'S MICRO-FINANCE PORTFOLIO

EXECUTIVE SUMMARY

I. One of the objectives of the Consultative Group to Assist the Poorest (CGAP) is to mainstream micro-finance within Bank operations. This report provides the basis for that effort by reviewing the existing Bank portfolio of micro-finance activities (including both lending and non-lending operations) and available information on the project pipeline. In the context of this review, micro-finance institutions include organizations which take financial deposits or make loans in small amounts (usually less than \$1,000) and whose clients are, for the most part, low income households, self-employed, or engaged in very small productive or commercial operations.¹ A microenterprise typically is an informal sector business with 5 workers or less, and with fixed assets valued at less than \$10,000.

II. The Bank's micro-finance portfolio from FY91- FY96 includes 56 projects, with a total investment of \$713.5 million (\$428.9 million from IBRD loans and \$284.6 financed by IDA credits). After four years of declining investment in micro-finance activities, there was renewed interest in FY95 and FY96. The number of loans or credits approved with micro-finance activities jumped from 6 (FY95) to 12 (FY96), and overall funding grew from \$11.5 million in FY94 to \$87.8 million two years later.

III. A review of the Bank's micro-finance activities and pipeline reveal six major trends. First, interest is growing in borrower countries and Bank country departments which have not previously programmed micro-finance activities. Second, Bank operations with micro-finance components are under development in several large Asian countries, thanks in part to regulatory framework changes. Third, most projects use a two-tiered approach, with the Bank reaching micro-finance retailers through newly established wholesale institutions. Fourth, there are five project modalities which are used to deliver micro-finance services, including (i) financial sector loans, (ii) private sector development loans, (iii) rural finance, (iv) stand-alone micro-finance development, and (v) social funds. The most common are social funds and micro-finance pilots. The fifth trend is the high level of interest in micro-finance in Africa and the Europe and Central Asia (ECA) regions, both during the past six years and in the pipeline.

IV. The sixth trend is the increasingly important role of non-lending modalities, which directly affect the environment in which micro-finance institutions operate. These instruments include (i) technical assistance, (ii) regulatory framework and policy dialogues, (iii) grants for pilot operations, and (iv) economic and sector work [ESW], and (v) increased donor coordination through CGAP and at the borrower country level.

¹ This definition is based loosely on discussions with William Steel of the Africa Region. These definitions are used in the absence of official Bank definitions of these terms.

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Acknowledgements:

The authors of this review would like to thank Virginie Busck-Nielsen of PSD for her invaluable research in developing the database and Joyita Mukherjee of CGAP for detailed technical review. In addition a number of people from other parts of the Bank provided valuable insights, including Khalid Siraj (FSD), William Steel (AFTPS), Jacob Yaron (AGRPW), Bikki Randhawa (FSD), Meg Garlinghouse (PSD), Cecile Fruman (ASTHR), and James Hanna (LA3PS).

I. INTRODUCTION

1. This report examines the Bank's portfolio of micro-finance in four sections. The first section presents the Bank context for micro-finance activities for the past five years, as well as a description of the database used in this analysis. The second section provides an analysis of the composition of the lending portfolio from FY91 to FY96, including information on the number and scale of projects and component, the modalities, target group characteristics, and the range of financial services provided. The third section provides a qualitative assessment of the changing modalities of Bank lending and non-lending activities, and a discussion of broader trends in the portfolio. The final section offers specific recommendations for improving Bank micro-finance project and component design, implementation and monitoring.

A. The Micro-finance Context

2. Micro-finance has become a growth field for multilateral and bilateral agencies, development banks, non-governmental organizations (NGOs) and community organizations. In the context of this review, micro-finance institutions include organizations which take financial deposits or make loans in small amounts (usually less than \$1,000) and whose clients are, for the most part, low income households, self-employed, or engaged in very small productive or commercial operations.¹ A microenterprise typically is an informal sector business with 5 workers or less, and with fixed assets valued at less than \$10,000.

3. To advocates, micro-finance offers strategies to target households below the poverty line and deliver financial services in sustainable, participatory ways. There are an increasing number of micro-finance success stories, led by Grameen Bank in Bangladesh, Bank Rakyat Indonesia's Unit Desa system, BancoSol in Bolivia, Kenya Rural Enterprise Programme (K-REP), and the rural savings and loan movement in Benin. In a few countries, commercial banks have begun to consider microenterprises as a new market niche. However, in most cases, the promise of micro-finance has proven illusory, due to very high transaction costs, poor repayment, the lack of basic market infrastructure, and regulatory frameworks which limit on-lending interest rates.

4. In the late 1980s and early 1990s, the Bank lagged behind other multilateral and bilateral institutions and non-government organizations in micro-finance, continuing to work on a small scale with government ministries and development banks to support targeted lines of subsidized credit.² The 1992 Levy Report challenged the Bank to find new ways to do business in the field of finance, leading to Operational Directive 8.30 (on Financial Sector Operations). O.D. 8.30 set strict guidelines on the use of subsidies, advocated commercial on-lending interest rates, and emphasized performance benchmarks to track a project partner's long term financial sustainability. Due to difficulties in putting the guidelines into practice, particularly in terms of subsidies, institution building and savings mobilization, O.D. 8.30 is presently being recast.

¹ This definition is based loosely on discussions with William Steel of the Africa Region.

² For a summary of disappointing results in working with government development banks, see Yaron, Successful Rural Finance Institutions, (Chapter 1), World Bank Discussion Paper #150, 1992.

II. DESCRIPTION OF THE FY91 TO FY96 BANK MICRO-FINANCE ACTIVITIES

A. Scale of Bank Micro-finance Lending

General Trends from FY91 to FY96

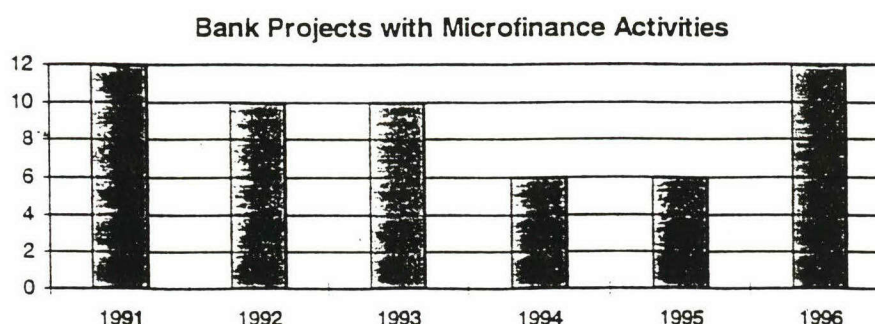
9. The total amount committed by the Bank specifically for micro-finance activities during the FY91-FY96 period was \$713.5 million, with \$428.9 million from IBRD loans and \$284.6 financed by IDA credits. There were 56 Bank projects with micro-finance during this time.

10. After a four-year trend of declining micro-finance investments, there was renewed interest in micro-finance programming in the Bank in FY95 and FY96. The number of projects initiated with micro-finance activities jumped from 6 (FY95) to 12 (FY96), and overall funding grew from \$11.5 million in FY94 to \$87.8 million two years later. This renewed interest is reflected in an increase in the number of projects rather than the size of operations. With rare exceptions, micro-finance activities remain a small component of larger projects, rather than stand-alone efforts. In regional terms, Africa and ECA have led the way. In sectoral terms, while agriculture dominated in the early 1990s, the portfolio has become increasingly diversified. The IFC has also become increasingly active in micro-finance programming, approving a \$1 million operation with K-REP Bank in Kenya, and working with the \$20 million ProFund which provides loans and equity for micro-finance in Latin America.

Number of Projects

11. The increased number of micro-finance activities reveals increased interest in this field. Over the six-year period, 56 projects were initiated (See Graph 1). There are 12 new projects in micro-finance beginning in FY96. This equals the previous high of 12 in FY91, and is significantly more than the number undertaken in FY95 (6). While the pipeline data from FY97 to FY99 is more sketchy, it suggests that interest remains high in micro-finance programming.

Graph 1

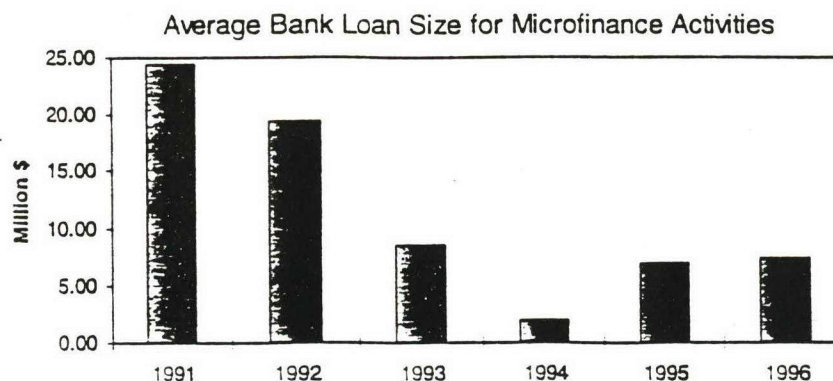


Funding Trends

12. The total amount committed specifically for Bank micro-finance activities during the FY91-FY96 period was \$713.5 million. However, this amount was not evenly distributed over

14. The average amount of Bank funding devoted to micro-finance in FY96 and FY95 is about \$7 million per loan, slightly more than the average from 1993 to 1994. However, this level of investment is significantly less than the averages for FY91 (\$24 million⁸) and FY92 (\$19 million), as Graph 3 reveals.

Graph 3



B. Reasons for Micro-finance Lending Portfolio Changes

15. There appear to be four reasons for the decline in Bank micro-finance lending from FY91 to FY94. First, many task managers have gained a greater appreciation of the requirements for sustainable micro-finance operations. For instance, there is greater recognition of the limited absorptive capacity of micro-finance institutions in many countries, due to market imperfections, the policy and regulatory framework, and local institutional factors.

16. A second reason is that Bank financial sector policy discussions have evolved cautiously, as management wrestles with the role of subsidies and interest rate policies. O.D. 8.30 has led to more stringent internal review of proposed operations, and discouraged "business as usual" with state banks and other public sector financial institutions.

17. The third factor is that task managers have begun to seek new project partners, since many traditional partners are not able to meet financial performance levels required for sustainability. The change from state-run institutions to new partners has resulted in smaller scale operations. However, there have been problems with these new partners. Non-governmental organizations (NGOs) lack the absorptive capacity and scale to meet Bank objectives. Most commercial banks are not attracted to such lending opportunities, due to high start-up and operational costs.

18. A fourth reason is that many country departments are developing a financial sector policy dialogue with borrower governments, rather than launching specific micro-finance operations. While this slows down lending activities, it holds the promise of helping partner

⁸ This figure includes a \$125 million credit to Indonesia (BRI) for micro-finance, and when calculated without this credit the FY91 average figure drops to \$18.6 million.

23. Recently, projects have pursued a two-pronged strategy, involving both micro-finance activities and elements of financial sector reform. In FY96, three of the 12 projects proposed financial sector policy interventions in addition to the provision of services to financial institutions to directly promote micro-finance.

Choice of Clients

24. The selection of clients can be examined from three perspectives: (i) urban/rural distribution, (ii) the type of enterprise, and (iii) enterprise operator characteristics (such as gender, age, and experience).

25. *Urban and Rural Clients.* From FY91 to FY95, 27 of the 36 projects which provide information on geographic composition of clients (75%) served only rural clients. Six projects (17%) addressed the needs of both rural and urban clients, while the remaining three (8%) served only urban microenterprises. This general pattern continues in FY96, and early indications show no change in the project pipeline.

26. *Enterprise Experience.* "Best practice" indicates that successful micro-finance projects work exclusively with enterprises that have existed for more than two years. Projects which serve start-up businesses typically face a much higher drop-out and loan default rate, due to the higher level of risk involved in new ventures. Bank projects from FY91 to FY96 worked with both types of enterprise. Of those projects which provide data, 14 work with only existing enterprises, 3 serve only new firms and 7 provide services to both types of enterprises.

27. The size of the enterprises also is an important factor to analyze in the choice of clients. Most of the projects offer services to both SMEs and microenterprises. However, it should be noted that within the Bank there seems to be some confusion over the definition of microenterprise and where to draw the line with SMEs. (See page 2 for a working definition.)

The Methodology of Financial Services

28. Four aspects of financial services methodologies used in Bank micro-finance activities can be assessed: (i) the relative importance of savings mobilization, (ii) the term structure of loans (working capital or long term investment credit), (iii) the deposit interest rates offered to savers and the on-lending interest rates charged to subloan borrowers, and (iv) the use of group methodologies, mobile banking and other cost-effective, innovative service delivery models.

29. *Savings.* Savings mobilization can play a pivotal role in a micro-finance institution's evolution to full financial sustainability, providing a reliable, affordable source of loanable funds.¹⁰ It is often cited in ESW and academic research as the single most important financial service for the poor, as part of their income smoothing strategies. However, while most projects mention the importance of financial sustainability, details concerning the key role of savings are lacking. Only 14 of 56 projects (25%) from FY91 to FY96 mention savings as part of the financial services provided by project partners.

¹⁰ This assumes that the micro-finance institution meets legal requirements for savings mobilization and is prepared to establish the appropriate reserves to safeguard depositors' interests.

not provide credit to small scale farmers. This gap in the financial system presented an opportunity, but farmers were unwilling to join solidarity groups, which were reminiscent of government-organized agricultural cooperatives. There was widespread interest in doing something at the village level.

Within this context, village credit funds (VCFs) were created under the IDA-financed Rural Poverty Alleviation Project (1993). Village credit committees (VCCs) were elected by villages to manage these VCFs. According to the basic rules of the VCFs, if a borrower fails to repay a loan, the line of credit to the whole village may be suspended. Moreover, only a part of the village membership receives a loan in the beginning, those who expect access to credit in the future exert strong social pressure to insure prompt repayment from borrowers in the VCC.

As of December, 1995, 93 VCFs had been established, 4,300 loans disbursed (with average loan size of \$350), and repayment stood at almost 100%. Two lessons have emerged from this experience: (i) local traditions play a role in determining the methodology and (ii) access to credit can play an important role in a transition economy.

Source: Yaron, Benjamin and Piprek, draft document, Rural Finance Best Practices, Chapter 8, 1996.

D. The Pipeline of Bank Micro-finance Activities: FY97 and Beyond

34 According to the Bank's database as of June 30, 1996, there are 34 micro-finance activities scheduled from FY97 on. Limited information is available on these projects and components and it is unclear how many will actually reach the Board. This total does not include planned IFC investments or CGAP's growing micro-finance commitments. While it would be premature to identify trends, it is worth noting that many are pilot projects¹¹ and the Africa Region is likely to lead the way. At least eight include a pilot component. The evidence suggests a new emphasis on pilot micro-finance activities to test methodologies and gain experience in new regions. At least four are social funds and another two are micro-finance stand-alone projects. Another important initiative is a \$74 million stand-alone micro-finance project which is scheduled to begin in Bangladesh in FY97.

III. WHAT THE NUMBERS MEAN: TRENDS IN BANK MICRO-FINANCE ACTIVITIES

35. A review of the Bank's recent micro-finance project experience and pipeline reveals six important trends:

- (i) Non-lending instruments to promote micro-finance are becoming increasingly important.
- (ii) There are five primary types of lending projects which are used to deliver micro-finance services. The most popular are social funds and micro-finance pilots.
- (iii) Most projects use a two-tiered approach, with the Bank often reaching micro-finance service retailers through newly established wholesale operations.
- (iv) There is growing interest in borrower countries and Bank country departments which have not previously programmed micro-finance activities, notably Central Asian countries.

¹¹ A pilot micro-finance activity is small scale, tends to use an innovative approach to design and deliver financial services, and may reach a target group of clients often overlooked by Bank-sponsored projects.

38. Technical assistance for improving the capacity of micro-finance institutions to develop, market and profit from financial services is considered by many experts to be an important investment, contributing to long term financial sustainability. However, in many Bank projects, it is difficult to identify the amount of funds allocated to these activities after a project has been launched.

Regulatory Framework and Policy Dialogue

39. The important role of the regulatory framework is increasingly appreciated by Bank staff considering micro-finance operations. Whether it is in a transition economy or West African setting, the regulatory framework determines (i) deposit interest rates, (ii) on-lending interest rates, (iii) equity requirements for financial intermediaries, (iv) savings mobilization limitations, (v) supervision standards, (vi) reporting, and (vii) reserve requirements.

40. To answer the demand for more information on supervision and regulation, CGAP co-sponsored a seminar with ACCION on Latin American bank supervision strategies and practices. Discussion focused on how institutions serving microenterprises could be held to certain standards, and the need for flexibility at different stages of portfolio development. For the West African Common Franc zone, CGAP sponsored a high level seminar for governments, local NGOs and donors which considered the repercussions and impact of the newly approved law¹² governing micro-finance institutions drafted by the BCEAO.¹³ This law was initially designed to regulate only credit union-type organizations, but its scope was then broadened in an attempt to include all micro-finance organizations, whatever their size or degree of formality. The law sets credit unions as a model and puts pressure on all organizations, even informal ones, to seek registration with the Ministry of Finance at an early stage. Furthermore this law refers directly to the regulation on usury rates, making it extremely difficult for financial intermediaries with microenterprise clients to cover their operating and financial costs. An example of the conflict between interest rate ceilings and full cost recovery faced by a Bank project design team in Ethiopia is found in Box 3.

Box 3: Regulatory Framework vs. Full Cost Recovery

The Ethiopia Social Rehabilitation and Development Project proposed a micro-finance component of approximately \$10 million to "create and develop self-sustaining micro-finance institutions to provide financial services to the entrepreneurial poor". Local financial intermediaries, including existing NGO projects in poor regions, would qualify for training, administrative grants to cover a share of operating expenses, and, for those with a proven track record, a line of credit. Performance criteria for repayment and cost coverage were established, with superior performers rewarded with matching funds of commercially priced resources in the form of a line of credit (eventually reaching an 8:1 match).

Since many of the poor regions did not have adequate infrastructure, the projected costs of operations were to be very high. It was apparent that the high costs would require institutions to charge an interest rate well above the local commercial rate to attain financial efficiency, even in the long-run projections. However, the government was sensitive to potential criticism that funds for poverty assistance were to be priced above the local commercial bank interest rate. The government was skeptical that there

¹² Loi portant reglementation des structures mutualistes ou cooperatives d'epargne et de credit.

¹³ BCEAO stands for Banque Centrale des Etats d'Afrique de l'Ouest. BCEAO is a regional Central bank system headquartered in Dakar, Senegal.

- * Create an enabling environment for micro-finance institutions.
 - * Support micro-finance institutions that deliver (or are capable of delivering) credit and/or savings services to the very poor on a financially sustainable basis.
 - * Help established providers of micro-finance to assist others start such services in under-served regions.
- Source: CGAP Focus Note #1, February, 1996

44. An example of donor coordination in a borrower country is found in recent Bank participation in micro-finance development discussions in the West Bank and Gaza Strip, Bosnia and China. In the West Bank and Gaza, a number of bilateral and multilateral donors, including the Bank, have developed a coordinated micro-finance development approach. A second recent example is in Bosnia, where the Bank has organized micro-finance activities with Soros Foundation and other development agencies. In Vietnam, CGAP and UNDP have jointly provided technical assistance in relation to a rural finance loan. Finally, in China, CGAP is co-sponsoring a conference on micro-finance with the Ford Foundation, UNDP and a local NGO in October, 1996.

45. It is difficult to quantify some of the investments and returns from donor coordination and other non-lending activities. However, it is likely that these activities will become more important tools for the Bank's micro-finance efforts in the future. Improved information on these non-lending activities will contribute to a fuller understanding of the Bank's role in micro-finance.

46. The Bank has also been coordinating with other donor agencies on micro-finance issues through the Committee of Donor Agencies for Small Enterprise Development and the Donors' Working Group on Financial Sector Development, both chaired by the Bank. These groups have issued a document entitled *Micro and Small Enterprise Finance: Guiding Principles for Selecting and Supporting Intermediaries*". This document represents a consensus among donors on best practice guidelines for operating, supporting and monitoring micro-finance institutions.

B. Lending Modalities: The Rise of Social Funds and Micro-finance Pilots

47. The database shows that there have been five basic types of Bank loans used to deliver micro-finance services in recent years: (i) private sector development projects, (ii) rural finance projects, (iii) financial sector development projects, (iv) stand-alone micro-finance projects and (v) social funds.

48. *Private Sector Development Projects.* Private sector development projects usually provide a line of credit through existing organizations to private enterprises. This is done by working with a national bank at the wholesale level which loans funds to formal financial intermediaries which directly provide financial services. These projects concentrate on the delivery of credit rather than financial sector development. These projects focus primarily on SMEs.

49. *Rural Finance Projects.* Rural finance projects are often coordinated by state banks (usually as retailers through an agricultural bank system) or ministries, which serve as wholesaler to local institutions. The goal of these projects is often to lower transaction costs and strengthen rural financial intermediaries or to provide financing for agricultural production. The micro-finance portion is usually quite small (about 7% in two planned pipeline projects). While small

(i) The Risk of Political Pressure Social fund "best practice" suggests that the implementing agency should be run in a businesslike manner, completely independent of political pressures. The independence of a social fund can be measured in terms of staffing, budget, subproject criteria and selection. In practice, however, social funds are often operated by a ministry or the Office of the President. A reputation for political selection may discourage participation from well-established NGOs. An example is the Janasaviya Trust Fund Project in Sri Lanka, where major NGOs with strong outreach networks and sound performance were not invited to participate during the initial phase, due to political differences.

(ii) Perception of Recipients vs. Clients A second problem arises when micro-finance is offered as an adjunct to social services. In the context of a social fund, it can be difficult to draw a clear distinction between recipients (who receive benefits for little or no cost) and clients, who pay for the value of the service. Health, nutrition and infrastructure are "one way transactions", in which recipients do not make long-term financial obligations. However, financial services are more effective when (i) services are offered as a "two-way transaction" [or contract] and (ii) self-selection takes place to insure participation of only those who have potentially profitable ventures and would be responsible clients.

(iii) Savings: Missing Half of the Equation Many social funds are used as disbursement channels, but the foundation for sustainable local financial intermediation (e.g. savings mobilization) is overlooked. Social funds can build in dependence on a constant stream of government or donor grants, rather than building local autonomous financial institutions. Only 4 of the 13 social funds offered savings services, and only 1 of these was able to accept voluntary deposits.

(iv) Lack of Diversification of Intermediary Channels Most social funds use NGOs as the intermediaries for financial services when more appropriate institutions such as local banking institutions may be more effective institutions for delivering micro-finance services.

Honduras: A Successful Social Investment Fund

The Honduran Social Investment Fund (FHIS) is one of the few that has achieved most of its objectives, according to a 1994 Bank evaluation. Five factors have been contributed to FHIS success: (i) deliberate restraint by the authorities, (ii) executive directors with significant management experience, (iii) good salaries and lack of tenure for staff, (iv) frequent donor monitoring and audits, and (v) clear procedures and targets. For micro-finance activities, the FHIS reinforced existing financial institutions' management systems and increase their outreach, while emphasizing repayment.

Sources: Performance Audit Report, Honduras (Social Investment Projects I and II), January 26, 1995, pp. 18-20, 27; Participation Sourcebook, Chapter IV, 1995.

Micro-finance Pilot Projects

54. Since they can be developed in any of the five project modalities described above, pilots are an increasingly popular way to implement micro-finance activities. Pilots are an appropriate means of testing new partnerships, innovative methodologies and the performance of groups of clients often overlooked by formal sector financial institutions (such as households below the poverty line). They are most often found in agriculture and integrated rural development projects. Pilots are underway in Cote d'Ivoire, Albania, Tunisia and Zambia, and in the pipeline for a project in northwest China.

55. Most of the micro-finance pilots are too new to analyze their performance, but there are several good reasons to encourage pilot activities. In some cases, borrower governments and Bank staff are not familiar with micro-finance alternatives, and prefer a more cautious approach. In other situations, Bank clients prefer traditional approaches (such as channeling lines of credit

* a reputation for honesty, good leadership and sound management, reflected in the general confidence of the community in which services are offered.

Source: Draft Operational Manual, Ethiopia Social Rehabilitation and Development Project, Jan. 1996.

New Entrants in Micro-finance

59. Building on increased activity in FY96, interest in micro-finance activities appears to be growing in the project pipeline.¹⁵ Several country departments have added micro-finance activities to their project pipeline for the first time, including Bosnia, Tajikistan, Jamaica and Turkey. Asia leads the way in the 1997 pipeline, with large scale projects under development in India, and Pakistan. There is also a Grameen replication pilot in an integrated poverty project in Northwest China.

Increased Interest from Large Borrower Countries

60. In many large countries, recent changes in institutional and regulatory arrangements may make pilot and large-scale micro-finance operations more attractive. In India, policy discussions between the Bank and the Indian Government's National Bank for Agriculture and Rural Development have led to inclusion of innovative approaches to rural financial intermediation in a Bank project under development (See Box 7). In China, the new Agricultural Development Bank of China and the rise of rural credit foundations could provide opportunities to move beyond traditional supply-led credit allocation approaches to more sustainable models.

Box 7: The Power of Policy Dialogue: The Rural Finance Project in India

In a major departure from previous Bank projects in India, the Country Department has invested in a policy dialogue with the National Agricultural Bank for Rural Development (NABARD). NABARD has historically used heavily subsidized lines of credit to target low income clients in rural areas throughout the country. Initial resistance to interest rate reform has gradually decreased, thanks in part to discussions with the Reserve Bank of India on this critical topic. While the project is still under development, certain elements have become clear: (i) NABARD's use of market-priced sources of funds, (ii) a performance-based line of credit through commercial banks and regional rural banks, (iii) promotion of alternative financial services delivery models, including self-help groups, and (iv) a rating system to allow donors to compare the financial performance of NGOs.

Source: Communications with Colin Bruce of the India Country Department.

IV. RECOMMENDATIONS: WHERE DOES THE BANK GO FROM HERE?

61. There are seven recommendations which arise from this review of the Bank's micro-finance portfolio from FY91 to FY96 and the project pipeline. These are related to (i) policy guideline clarity, (ii) supervision and reporting, (iii) Bank staff capacity building and the skills mix, (iv) technical training for borrower country counterparts, (v) a review of social fund micro-

¹⁵ The pipeline often changes rapidly, as Bank and borrower country programming priorities shift. This analysis reflects the pipeline as of June 30, 1996.

67. Technical training for host country government counterparts and NGO practitioners.

EDI has begun to address this challenge, investing significantly in training of micro-finance trainers in different regions. These effort should make host country counterparts more receptive to innovative micro-finance approaches which offer outreach to the poor and long term financial sustainability. Technical training should present international experiences and provide keys to local adaptation, resulting in a higher degree of counterpart ownership in design and implementation stages of micro-finance activities. It should also bring policy reform priorities to the attention of government officials.

68. A Review of Social Fund Micro-finance Component Experiences. The Financial Sector Department (FSD) is undertaking a review the micro-finance components of social funds for the Portfolio Improvement Program. The review will assess the performance of the micro-finance components included in social funds, and provide specific technical suggestions on ways to improve the sustainability of these operations. This review will be completed in late 1996.

69. Coordination and Product Development within the Bank Group. Recent coordination on the Kenyan program K-REP by CGAP, SBP and IFC sets an important precedent for the division of labor to support leading micro-finance institutions. In some cases, capitalization grants are an appropriate tool (by CGAP), while other situations may hold the promise of equity investments (an IFC specialty). At the same time, MIGA's experience in the field of guarantees may offer valuable synergisms. While coordination takes time, it is the best way to provide micro-finance institutions with useful financial and technical assistance.

It may be timely for Bank management to consider a product management structure for micro-finance now that a private sector network is being developed. The product management group could be a unit similar in size and scope of activities as CGAP, but exclusively devoted to developing Bank micro-finance operations which conform with best practice guidelines.

70. Coordination with other donors. The portfolio review reveals that the Bank is on a steep learning curve in the field of micro-finance, and would benefit enormously from increased interaction with donors such as USAID and the Inter-American Development Bank. While micro-finance experts in the Bank are in constant contact with these and NGO practitioners, a wider Bank audience could learn from their successes and failures.

71. The Bank has the potential to become a leader in micro-finance in the next several years, if it can develop internal policies that move micro-finance operations from projects providing cheap credit lines to interventions that help build local financial intermediaries reaching low income clients. The Bank should play a role in promoting the investment required in building stronger partners, such as management information systems and financial institution staff training. At the same time, the Bank should further policy dialogue with governments to improve the legal and financial framework in which micro-finance institutions operate. Without these fundamental changes in the Bank's approach, micro-finance results are likely to be unsustainable.

This item appeared on page 19 of the February 3, 1997 issue of the

FINANCIAL TIMES (UK)

Giving credit to the poor

The Microcredit Summit which began in Washington yesterday draws attention to a 1990s rarity: a development programme which everyone likes. Even the harshest critics of aid find it difficult to object to making credit and saving facilities available to the world's poorest. And rightly so: experience worldwide has shown that micro-finance institutions can help many along the road out of poverty - especially women.

Private financial markets fail when it comes to the very poor, in rich countries as well as poor ones. The United Nations reckons that a mere 0.2 per cent of global commercial lending goes to the poorest fifth of the population. Banks do not seek out poor villages or districts because that is not, to coin a phrase, where the money is. But deprive poor people of the chance to lend or save even modest amounts and they are a lot more likely to stay that way.

Enter micro-finance and a rare opportunity for beleaguered defenders of development assistance to trumpet success. From southern Bangladesh to Chicago's south-side, many micro-finance projects have filled the gap, fuelling "micro-entrepreneurship" and - as important - helping their clients reach a basic level of economic security.

A draft summit declaration calls for a massive injection of funds into micro-finance projects, which usually have to be subsidised for at least five years before they have a hope of becoming self-sufficient. The goal is to reach 100m of the world's poorest families by 2006, up from 8m today. The sum-

mit's organisers estimate this will require \$21.6bn, of which around a third would be from official sources.

Does this make sense? The answer is probably no. Seeking to learn from micro-finance success stories and to build on them is one thing. Diverting a large chunk of the scarce resources available for anti-poverty programmes into local projects that lack the capacity to absorb them quite another.

Most fans of micro-finance would agree there is little point in funding projects without looking carefully at the community's ability to exploit them. Equally, few would argue that money ought to be diverted from other, just as important, prerequisites such as basic education and healthcare. There is a danger, however, that donors will forget these caveats in the rush to support the fashionable development success of the day.

The value of the summit must not be judged by dollars and cents. It will have been a success if the official and non-governmental organisations represented come out better informed about the benefits and potential pitfalls of micro-finance, and keener to collaborate on getting it right. But the participants should also be using the welcome popularity of micro-finance to focus attention where it ought to be - on why such a large share of development assistance is not reaching the poor. On average, 35,000 children under the age of five die every day from malnutrition. Part of the solution to this horror will be micro-finance. But she who would be a successful borrower must first live.

*The
Constituency
for Africa*



CONSTITUENCY FOR AFRICA



The Constituency for Africa (CFA) began in 1990 when a group of concerned Africanists and citizens, representing major organizations with an interest in Africa, joined to develop a strategy to build organized support for Africa in the United States. From this effort, the CFA's broadly defined purpose is to create an educated and informed U.S. public about Africa and U.S. policy towards Africa. Its mission is to mobilize and foster increased cooperation and coordination among a broad based coalition of American, African and international organizations and individuals committed to the progress and empowerment of Africa and African peoples. Over the years, its activities of education and information dissemination have led to a greater understanding and awareness of Africa.

From 1994-1996, the CFA built an independent 501(c) 3 nonprofit organization to guide its principal activities. When U.S. aid to Africa was threatened in 1995, the CFA organized a Summit on Africa Aid. More than 200 organizations attended this meeting to rally for continued U.S. involvement and support for Africa. CFA followed-up this action with a Town Meeting in Louisville, KY. As a result of both meetings, the CFA is widely credited with saving more than \$200 million in the U.S. budget for Africa.

For 1997 and beyond, the CFA's strategy is to organize and service a nationwide coalition of organizations, businesses and individuals. The CFA will be a forum for the coalition in the struggle to recognize our nation's commitment to Africa and to strengthen the dialogue and link between U.S. foreign policy and domestic issues.

Upcoming activities include:

- **Town Meetings**—One-day education and information forums on Africa, covering trade, investment, human rights and other critical issues. Ambassadors, diplomats and senior government officials make presentations. Scheduled sites are: Jackson, Mississippi on February 7, 1997 and Memphis, Tennessee on February 8, 1997; Little Rock, Arkansas in March 1997; Milwaukee, Wisconsin in April 1997; and Detroit, Michigan in May 1997.
- **Coalition Development**—Planned outreach to organizations, businesses and individuals. Applications to join the coalition will be available in March 1997.
- **Ronald H. Brown African Affairs Series**—Annual educational forums held during the Congressional Black Caucus Legislative Week in Washington, D.C., scheduled for September 9-13, 1997. A wide array of topics and issues will be discussed and explored. This critical session will help to set the congressional agenda for Africa.
- **Constituent of the Year Award**—Presented annually at an Award Luncheon, following the African Affairs Series, to an organization or individual who has provided exemplary support for Africa in the United States. Nominations are invited.
- **1998 Trade Mission to Ghana**—Planned trip to Ghana during the 1998 International Trade Fair. Offering group rates and seminars on understanding and establishing working relationships. Reservations available March 1997.
- **CFA Website**—CFA Internet Access that will list information, news, views and other data on what's happening at CFA and among the coalition members. CFA Website is currently on-line. Internet address: <http://www.cfafanet.org>

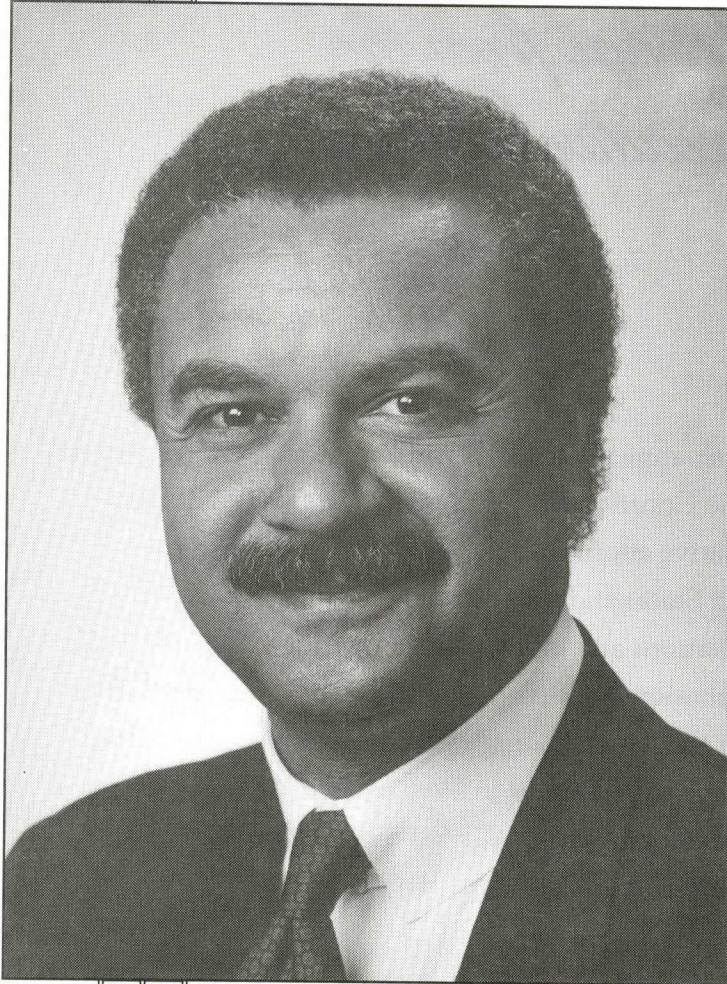


1629 K Street, N.W. • Suite 1010 • Washington, D.C. 20006
(202) 371-0588 • Fax (202) 371-9017

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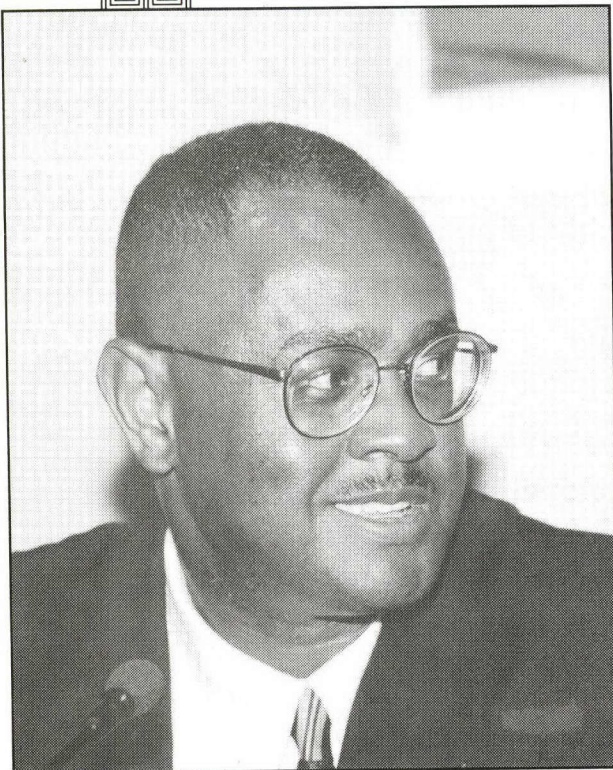
Constituent of the Year Ronald H. Brown

Ronald H. Brown was born August 1, 1941 in Washington, D.C. He graduated from Middlebury College in 1962 and served as a United States Army captain from 1963-67. After his military service he graduated from St. John's University Law School in 1970.

Brown's career began with the Urban League in 1968. During his years with the League, he was general counsel, deputy executive director and vice president for Washington operations. In 1979, he became chief counsel to the U.S. Senate Committee on Judiciary. In 1981, he became general counsel

and staff director for Senator Edward Kennedy, and the first black partner in the law firm of Patton, Boggs and Blow. From 1989-1993, he was the first African American to head the Democratic National Committee. Under President Clinton he was appointed Secretary of Commerce in 1993.

During his tenure as Secretary of Commerce, he led approximately five trade missions to Africa. Mr. Brown was able to merge U.S. engagement, American commercial interests and African economic recovery and political reform. He has provided opportunities for entrepreneurs and corporations in the United States in Africa. For example, under Brown's supervision, the Owens Corning Plant in Botswana employ modern technology to bring water to the arid South. The Houston-based firm, ENRON, signed a \$600 million agreement for natural gas field and pipeline in South Africa during one of Brown's trade missions. Less than two months before his death, Chadwick International, Inc., signed a \$92 million contract to build 6,000 homes for an Ivorian company. He designated South Africa as one of the world's ten merging markets. He delivered the opening statement on September 20, 1995 for the Constituency for Africa's Educational Forum "Doing Business in Africa." Mr. Brown had a wonderful career in Africa and all over the world. His trade missions resulted in over \$80 billion in foreign deals for U.S. businesses.



Message from the Executive Director

The first annual Ronald H. Brown African Affairs Series and the Constituent of the Year Award are the CFA's cumulative efforts to build support for Africa in the United States and to pay tribute to the deeds of organizations and individuals supporting Africa. It is also an expansion of CFA's early activities to highlight Africa during the annual Congressional Black Caucus events.

It is fitting that these two milestone events happened in 1996. They highlighted the beginning of a new phase in constituency building for CFA—the development of a constituency coalition and the marking of the CFA's first two years as an independent organization.

The 1996 Ronald H. Brown African Affairs Series conference report summarizes the remarks of the panelists at the various forums and identifies key points of the issues addressed. As you go through the pages of this report, I hope that you are made aware of some of the serious problems in Africa and the continuing need for U.S. government and public support.

Many thanks are extended to the volunteers, supporters and friends who made the 1996 Ronald H. Brown African Affairs Series a memorable event. I would like to give special thanks to Mrs. Ellen Johnson Sirleaf, who served as honorary chairperson, and UNDP for underwriting the costs for this report; the volunteer committee members who selected the first **Constituent of the Year**; Ms. Rosetta Gainey for her contribution of gifts to Michael Brown who accepted the posthumous award for his father, Ronald H. Brown; and the very first supporters of CFA in 1990.

Melvin P. Foote, Executive Director



Message from the 1996 Ronald H. Brown African Affairs Series Honorary Chairperson

It was an honor to serve as the Constituency for Africa's (CFA) Honorary Chairperson for the first annual Ronald H. Brown African Affairs Series and the Constituent of the Year Award. Both events were milestones in promoting Africa within the United States. A role that the CFA has undertaken for nearly six years.

The Ronald H. Brown African Affairs Series provided the opportunity for serious dialogue and discussion among supporters and friends of Africa. Also, it brought greater attention to the tragedies and crises in certain countries—Burundi, Rwanda, Liberia and Nigeria—and explored options for resolution. Key issues of human rights, democracy, business and trade, technology transfer and culture were discussed over the course of five days.

The naming of the first **Constituent of the Year** was a significant step in bridging African and American relationships. It was important to the Committee that Ronald H. Brown receive the inaugural Award for his commitment to Africa and the United States.

Without organizations like the CFA creating open discussions, public education and information about Africa would be limited. The following pages give a summary of the activities from September 9-13, 1996. If you were not there, please plan to join us next year.

Ellen Johnson Sirleaf, Chair



Constituency for Africa

Background

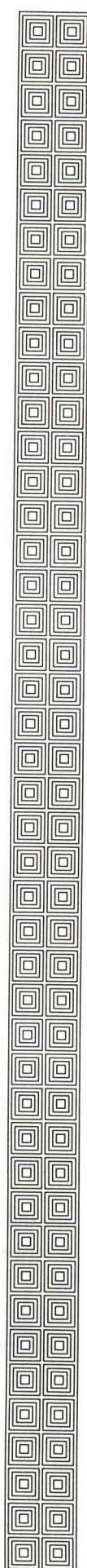
Constituency for Africa (CFA), a member coalition of organizations, groups and individuals with interest in Africa, held its annual forums on African affairs from September 9 to 13, 1996. The five- day event, officially named the Ronald H. Brown African Affairs Series in honor of the late Secretary of Commerce, featured discussion on doing business in Africa, the role of science and technology in African development, the culture of the African diaspora in the modern world, among others. Several experts and dignitaries in the business, political, diplomatic, scientific, communications and entertainment world participated.

Since its founding in 1990, CFA's mission has been to educate the American public about Africa and African issues, and to strengthen linkages and cooperation between and among American organizations, groups and companies and their counter-parts in Africa. CFA has provided numerous forums on issues pertaining to Africa, disseminated information to various interested parties, and created opportunities for networking and collaboration among groups. A sizeable portion of its membership is either now in Africa or interested in Africa.

Constituent of the Year Award

At a luncheon concluding the Ronald H. Brown African Affairs Series, an award, the **Constituent of the Year**, was presented posthumously to Secretary Brown for commitment to strengthen economic and political ties between the U.S. and Africa. Secretary Brown's son, Michael, was presented with the award. Ellen Johnson Sirleaf, the Assistant Administrator and Director of the Bureau for Africa of the United Nations Development Programme, and Honorary Chairperson of the 1996 Ronald H. Brown African Affairs Series, presided over the committee that selected Secretary Brown as this year's recipient.

The Constituent of the Year Award will be presented by the CFA each year during the Ronald H. Brown African Affairs Series. The award is given to an individual or organization determined to have provided exemplary service and leadership in building public and private support for Africa in the United States. This is part of CFA's efforts in building a constituency and recognizing the work of others in this endeavor. By establishing this annual award, CFA also acknowledges that there is a pressing need to consistently educate and inform the American public about Africa in order to prevent marginalization of and indifference toward the continent.



General Summary of the Ronald H. Brown African Affairs Series

The topics covered in the forums included "Culture of the African Diaspora and the Modern World", "Democracy, Human Rights, Conflict Resolution and U.S. Policy Towards Africa", "The Role of Science and Technology in African Infrastructure and Economic Development", and "Doing Business With Africa". Also, the panel on "Conflict Resolution in Africa - Diplomacy and Action", was held in conjunction with the Congressional Black Caucus Foreign Affairs Braintrust, and included United Nations Secretary General Boutros Boutros-Ghali and members of the CBC.

This report is a summary of the points and issues raised by each forum. It should be noted that all the forums raised common themes about Africa and the state of U.S.-African relations. The summary should, therefore, be analyzed in the context of these common themes. Forum participants agreed that:

- The most important preconditions for African stability and economic development in the continent are: (i) establishment of democratic institutions, (ii) respect for human rights, (iii) adherence to the rule of law; transparency in all transactions between institutions and the citizens they serve, and (iv) sustained proactive involvement by the U.S. in African attempts to resolve political and economic problems.
- Although genocide, drought, civil strife, poverty, famine, disease and human rights violations seem to dominate the news coming from the continent, there are far more success stories of countries that have restored democratic institutions, set their economic programs in order, and have resolved their internal differences through peaceful means and by free and fair elections. Countries such as Mozambique, South Africa, Sierra Leone and Ethiopia were cited frequently as countries that resolved problems by peaceful means. Since 1989, 40 countries have had free and fair elections and have set up democratic institutions.
- Opportunities exist for doing profitable business in many African countries. These countries have adopted vibrant free market economic systems where foreign businesses are achieving substantial returns on their investments. Exports to Africa are also increasing because many of these countries are now at peace.
- African-American involvement in Africa issues is essential, for many reasons. A strong and influential constituency must be established to advocate on behalf of African interests. African-Americans, in coalition with other Americans, can effectively provide this. African problems have been left for too long on the back burner because decision-makers in this country have not felt the necessary socio-political pressure to take action. In addition, any benefits that accrue as a result of the U.S. proactively engaged in Africa will benefit African-Americans as well.



CULTURE OF THE AFRICAN DIASPORA AND THE MODERN WORLD

- Keynote Speaker:** **Haile Gerima**
Independent Film Producer and Director
Professor, Howard University
- PANEL I:** "POLITICS OF CULTURE"
- Panelists:** **Dr. Sheila Walker**, *University of Texas*
Prof. Harry G. Robinson III, *Howard University*
- PANEL II:** "CULTURE AND THE MEDIA"
- Panelists:** **Ms. Sandra Rattley-Lewis**, *National Public Radio*
George Collinet, *George Collinet Productions*
- PANEL III:** "AFRICAN CULTURE AND EMPOWERING OUR YOUTH"
- Moderator:** **Ms. Lori Robinson**, *Emerge Magazine*
- Panelists:** **Dr. Audrey Ware**, *Uprising Spirit of Truth Foundation*
Mamadi Nyasuma, *2000 Black*
EZ Street, *Radio Personality and Youth Advocate*
- Closing Remarks:** **Eurica Huggins**, *Coordinator, CFA Cultural Committee*

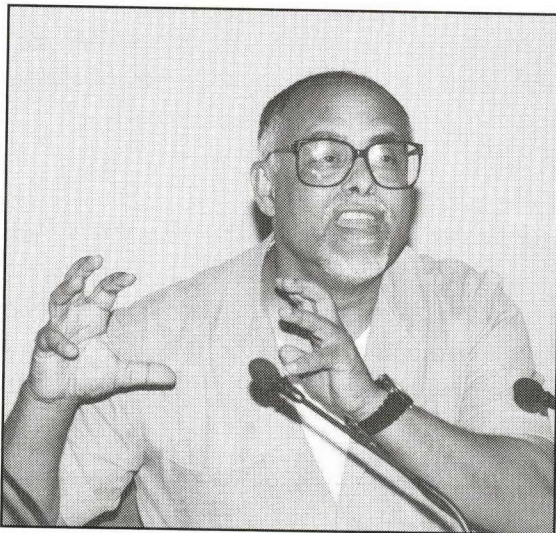
The keynote speaker, Independent Film Producer, Director and Howard University Professor, Haile Gerima stressed that culture should be central to all the activities of African-American and African societies. Any progress in society starts with communities who have preserved their past and know how to use it to go forward. To that end the African-American and African communities must develop a consciousness of their cultures and support the institutions that promote cultural activities.

The general theme of his remarks and of the other panelists was that all societies anchor themselves in the present and plan their future based on what they know of their past. That is why culture is important to any society or community. Culture is reality. It tells us everything, good, bad, silly, beautiful and valuable about ourselves. But when a community has not been able to define itself culturally, it has lost its human essence.

Yet, despite daunting odds, African-Americans have maintained a culture of their own partly through preserving what they brought with them from Africa, but also 'going back' to Africa to the foundations of that culture. Its influence is apparent throughout American society and the world. What is more important, African-Americans are increasingly aware and proud of the Africanity of their culture. It has given them a basis of the transnationality of their being. It is a global culture, and as Dr. Sheila Walker stated, "Where ever we go, there we are."

African-American culture still faces challenges, however. What role should culture and cultural institutions play in promoting the larger interests of the African-American community within the context of American society? How can African-Americans use their African heritage to promote Africa's interests in the U.S. today? Panelists suggested that the following points be considered when discussing these issues.

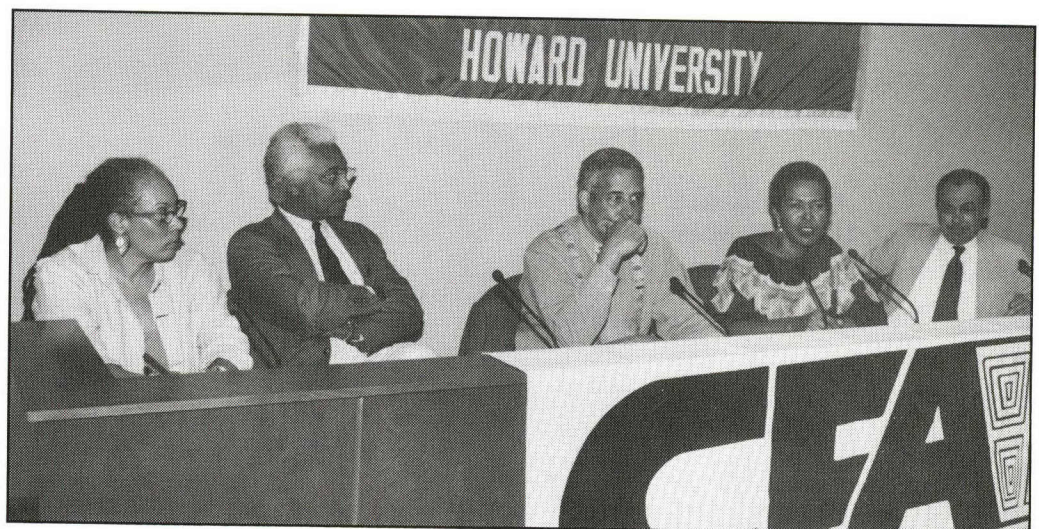
- The African-American community is most empowered when speaking about its culture. All economic and social advances become an illusion when the community is not culturally empowered. Culture has to be brought back into the daily lives of African-Americans because progress has to be based on a solid foundation. There is a need to educate the average person to support and have a positive attitude towards his/her African-American culture as the only thing that provides that essence of humanity in a society that is not always welcoming.
- If African-Americans want to continue determining and defining their own culture then they should invest more into it. Those who finance their own cultural agenda can help shape it. In the 1930s and 40s black people understood this clearly. There were many cultural and entertainment centers and theaters in the community. The need for the community to make and dramatize its own history and not be spectators of history was clearly understood.
- Cultural institutions in Africa itself should be supported, promoted and strengthened because they are the foundation of all the cultural institutions of people of African descent all over the world.
- African American professionals and business persons must form a stronger support system to preserve and promote the community's cultural institutions and activities. The culture of any society determines how that society is to conduct itself in all other aspects.



Professor Gerima makes an important point.

- African-American culture has been appropriated as American culture and then exported to the rest of the world. The benefits of this exercise have not accrued to the African-American community, particularly economic benefits.
- U.S. cultural institutions should be challenged to include the African-American component into all their activities, but to do so as the African-Americans see and define their culture. What American society is exposed to in the various media is not always a true reflection of African-American culture; nor is it something that African-Americans feel their children can be nurtured by.

Panelist: (left to right)
Sandra Rattley-Lewis, NPR;
George Collinet, George Collinet
 Productions; **Dr. Harry Robinson**,
 acting v.p. Academic Affairs at
 Howard University;
Dr. Sheila Walker, University of
 Texas; and **Dr. Julius Coles**,
 director, Ralph Bunche International
 Affairs Center at Howard.





Forum Two:

DEMOCRACY, HUMAN RIGHTS, AND U.S. POLICY TOWARD AFRICA

Keynote Addresses: **Hon. Carol Moseley Braun (D-III),**
Member, Congressional Black Caucus

Hon. George E. Moose,
Assistant Secretary for African Affairs,
U.S. Department of State

Respondent: **Hon. Ibrahima Sy,**
Permanent Observer of the Organization of
African Unity to the United Nations

The two keynote speakers, Senator Carol Moseley Braun of Illinois and Assistant Secretary of State for African Affairs George E. Moose, were in agreement on essentially all points on the issue of democracy and human rights in Africa and the role of the U.S. in this area:

- Secretary Moose said that the international challenges of tomorrow can be seen by the challenges Africa faces today. Democracy and human rights are the centerpiece of U.S. administration policy, not as a moral crusade but in the pragmatic pursuit of this country's national interest. Democratic governments tend to share commonality in international issues.
- The U.S. should be fully engaged in Africa, with a fair and consistent policy and promotion of human rights and economic freedom. Consistency, fairness and sensitivity to the particular circumstances of sovereign nations ought to be a hallmark of U.S. foreign policy in Africa as it is in other parts of the world, not an accident of geography. There should be a long-term commitment on the part of the U.S. despite setbacks. Support and resources should go to African governments that have embarked on democratic reforms.

*Keynote speakers:
The Honorable George E. Moose
and Senator Carol Moseley Braun.*



- African governments have a duty to put democratic institutions in place (elections and the orderly transfer of power, strong and effective parliaments, independent judiciaries, political parties and media and decentralized local authorities.) Democratic institutions minimize conflicts and human rights abuses. It was the absence of democracy in Rwanda, Burundi, Mozambique and Angola that led to catastrophes there, as Assistant Secretary Moose stated.
- Promotion of human rights and democracy are related to growth and economic opportunity in Africa. Africa holds enormous promise for American investments and exports and, therefore job promotion here in the U.S. The prerequisite for all this was a stable and democratic environment. In addition Africa must be looked at as a commercial opportunity, as Senator Moseley Braun stated. The African market is large and has great potential for U.S. commercial activities.
- Senator Moseley Braun also emphasized that Africa is seldom presented in a positive light in the U.S. One-dimensional, negative connotations, grossly careless generalizations minimize the commonality of interests between the U.S and Africa and ignore the progress that has taken place there. Africa has most of the emerging democracies in world.



PANEL I: "STATE OF DEMOCRACY IN AFRICA"

Moderator: Vivian Lowery Derryck, *African Leadership Forum*
CFA Boardmember

Panelists: Dr. George Ayittey, *Foundation for Africa's Future*
"Africa's Democratic Past"

Learned Dees, *National Endowment for Democracy*
"Are Democracy Programs Imposed on Africa"

Gregory Simpkins, *Institute for Democratic Strategies*
"The African Struggle for Democracy"

Imani Countess, *Washington Office on Africa*
"The Economic Imperative for Democracy in Africa"

Panelists agreed that there is an indigenous groundswell for democracy in Africa. The quest for democracy has taken on the same momentum as the quest for independence after World War Two. That more than thirty African countries have held multi-party elections in the last few years is not an accident but a direct result of this groundswell.

Yet, elections do not in themselves make a country democratic. Africans realize that stable supportive institutions need to take root. Africans like others want justice, equality, transparency and responsibility. They want to create strong civil societies that hold their leaders accountable. To that end those promoting democracy in Africa need to be cognizant of certain realities in order to help Africans build sustainable institutions:

- African countries with the greatest conflict are too often the ones with the fewest outlets available for debate and criticism, thus limiting legitimate means for voicing grievances and concerns increasing the likelihood of conflict.

- Many African leaders and Westerners have not looked to African traditions in creating modern democratic institutions. Institutions of governance and systems of accountability existed in Africa before colonialism and do lend themselves to democratic reemergence in the future. Decision by consensus and compromise, checks against despotism, the rule of law, principles of confederation and removal of illegitimate leaders were prevalent in traditional Africa. They can be revived as Africans seek democratic solutions to their current problems.
- Democracy in Africa must be fitted to local realities. It should be built from the ground up. True democracy cannot be imposed from the outside. The role of the U.S. should be to assist those who are genuinely attempting to build it.
- In designing programs to assist and promote democracy in Africa, the U.S. needs to take into account that the people there understand democracy and its basic principles. It is African leaders themselves who must be held accountable to the basic standards required of democratic processes. The concept is not foreign to Africa; the pressure to democratize comes from within the continent.
- Africa should know unambiguously that democracy is good for business. People do not invest where there is no stability. However, African leaders who promote investment in their countries should establish national economies with notions of democracy. Input from the people on economic policy and inclusion in pursuing economic advancement should be part of that democratic process. Leaders who team up with international monetary and corporate institutions must be challenged to do more in democratizing economic institutions as well.



PANEL II:

“THE STATUS OF HUMAN RIGHTS IN AFRICA”

Moderator:

Sharon Pauling, PVO Coordinator,
U.S. Agency for International Development

Janet Fleischman, *Human Rights Watch Africa*
“The Status of Human Rights in Africa”

Adoti Akwei, *Amnesty International*
“African Human Rights Efforts”

The consensus of this panel was that progress has been made on human rights in Africa. Human rights abuses have declined in many areas such as in southern Africa. Setbacks have also occurred and, in some cases with tragic consequences. Liberia, Burundi, Rwanda and Nigeria are obvious examples. Yet there has been what one panelist called a “wonderful flowering and birth” of human rights activism and human rights organizations where people are questioning and challenging authority on human rights abuses. There are issues that need to be kept at the forefront by U.S. authorities and the public if human rights are to be realized and maintained throughout the continent:

- The growing number of groups not afraid to expose human rights in their own countries, including organizations of women, NGOs and the press, is impressive and must be supported, encouraged and assisted. The essential element is clear, unambiguous U.S. support. A unified message from American officials and the public is taken seriously by authorities in the continent. This message must demonstrate that abuse of human rights is costly, economically and diplomatically. The link has to be made between human rights, democracy and development. One cannot be pursued before the other.
- The international community must also be alert to inconsistencies in the application of human rights in some African countries. In Ethiopia, for example, the government is investigating past abuses of the

previous regime while at the same time arresting members of the opposition and the press. Zambia had impressive free elections and established solid democratic institutions, but the government is now stripping the former President of his citizenship so that he does not become a presidential candidate in the next election.

- There should be financial support and open encouragement for more effective and independent conflict resolution mechanisms in the continent. The Organization for African Unity (OAU) has a commission for human and people's rights (they have human rights monitors in Burundi, for example) but it does not hear complaints from individuals and does not investigate, condemn or criticize governments in question because its workers are appointed by the same governments they are supposed to be investigating.
- Above all, organizations like Constituency for Africa must organize a constituency in the U.S. to influence American policy in the area of human rights. U.S. policy in Africa lacks the public support to address serious problems on the continent. The constituency has not been powerful enough to generate the level and degree of respect among members of Congress, the Administration and the State Department to treat Africa as an equal among the other regions of the world. As an example, the United States Agency for International Development (USAID) works with many institutions in Africa promoting human rights, democracy and the rule of law. Yet the agency has been threatened with abolition and its funds have actually been cut. Political pressure should be brought to bear to stop such trends.



PANEL III: "LESSONS LEARNED AND OPPORTUNITIES FOR PROGRESS"

Moderator: Leonard Robinson, *Washington Strategic Consulting Group*

Panelists: Ambassador Herman J. Cohen, *Global Coalition for Africa*
CFA Boardmember

Salih Booker, *Council on Foreign Relations*

Closing Remarks: Dr. Ernest J. Wilson III, *Center for International Development and Conflict Resolution, University of Maryland*

This panel dealt with lessons learned and opportunities for progress in democracy and human rights in Africa. The slant and focus was conflict resolution and what both Africans and Americans can do about it. The panel stressed that chronic instability in Africa impacts directly on: a) economic development, b) the pace, growth, quality and retention of democracy, c) respect for and the practice of human rights, and d) a persistent image of that continent as incurably poor, unstable and dangerous. Much can be done here and abroad to remedy this perception. There are good lessons in what has taken place in African countries since independence:

- It is important to recognize that there has been much improvement in Africa in the last few years. Progress should be measured by how far the continent has come in the last four decades. Democracy is a slow process everywhere, not just in Africa. It is a cultural phenomenon that does not take root very quickly. Like everywhere else, African democracy needs to be nurtured.
- As democracy continues to take root, concentration should be on good governance. The U.S. should emphasize good governance as a policy. The essence of good governance is transparency and the rule of law. The U.S. has leverage when it approaches the issue in this manner. These are two easily measurable activities.

- The U.S. should not hesitate to be involved in peace-making activities in African conflicts. Just as African peacekeepers are often asked to be engaged in the U.N. activities in Bosnia or Cambodia, the U.S. and its European allies have an obligation to contribute to African peacekeeping activities.
- There should also be a focus on disarmament and demobilization. The arms trade, particularly the small arms trade, contributes to conflict in Africa. Through the U.N. and OAU, mechanisms should be established to stop the arms trade. The flip side of disarmament is demobilization. Economic and educational incentives should be available once disarmament has been accomplished.
- It is good for African Americans to discuss democracy and human rights in Africa because it forces mainstream society to discuss democracy here in the U.S. That comparative analysis is not necessarily a wasteful exercise. Can one seriously discuss transparency in African institutions without questioning how transparent some of their American counterparts are?

ATTENDEES HUMAN RIGHTS AND DEMOCRACY FORUM

Pamela Reeves
International Election Systems (IFES)
1101 15th Street, N.W.
Washington, D.C. 20005

Elizabeth Harvey
Partners for International Education
and Training
2000 M Street, N.W.
Washington, D.C. 20036

Folabi Olajbajin
SEIU
1313 L Street, N.W.
Washington, D. C. 20005

Dave Peterson
National Endowment for Democracy
1101 15th Street, N.W.
Washington, D.C. 20005

Adei Tabiri
Africare
440 R Street, N.W.
Washington, D.C. 20001

James L. Woods
Cohens and Woods International
1555 Wilson Boulevard, Ste. 300
Arlington, VA

Paul E. Rowe
PR Associates
17181/2 10th Street, N.W.
Washington, D.C. 20001

Innoncent Abiaka
AMI Consultants
3030 N. Central Avenue
Phoenix, Arizona 85012

Robert Sherman
AMI Consultants
3030 N. Central Avenue
Phoenix, Arizona 85012

Dr. Joan Wallace
Americans for Democracy in Africa
11921 Freedom Drive
Reston VA

Sharon Pauling
USAID
Washington, D.C.

Mary Jacoby
Chicago Tribune
National Press Building
Washington, D.C.

Diana Tyson
AT & T
19 School House
Somerset, NJ

Amb. Terrence Todman
CFA - Board Member

Dorothy Shea
U.S. Department of State
2201 C Street, N.W.
Washington, D.C.

Nwosisi
Pymn
New York, New York

D. Muruako
NCF-USA/Pymn
Mississippi

Nicolas Okoye
Access America
P.O. Box 190740
Boston, Mass 02119

Michael DePass
6316 Tulsa Lane
Bethesda, Maryland 20817

Elizabeth Griffin
Westar Group
3000 K Street, N.W.
Washington, D.C. 20037

Deogratias Symba
African Correspondent's Assoc.
1422 K Street, N.W., Suite 610
Washington, D.C. 20005

Thomas Hastings
17545 Wheat Fall Drive
Rockville, Maryland

Ellyn Ferguson
Gannett News
1000 Wilson Boulevard
Arlington, VA

Bill Talbatt
Chicago Sun Times
1206 National Press Building
Washington, D.C. 20045

Bill Dyer
Missionaries of Africa
1624 21 st Street, N.w.
Washington, D.C. 20009

Ernie Cox, Jr.
Chicago Tribune
1325 G Street, N.W. Suite 200
Washington, D. C. 20001

Caludia D. Nhema
Embassy of Zimbabwe
1608 New Hampshire Avenue
Washington, D.C. 20009

Sonny Young
Voice of America
330 Independence Ave., S.W.
Washington, D. C.

Paul A. Kinlan
Arise International
5324 First Street, N.W.
Washington, D.C. 20001

Eleanor Morris
PEIT
Washington, D.C. 20036

Jean Bennett
Africare
440 R Street, N.W.
Washington, D.C. 20001

John Thomas Dipowe
Embassy of Botswana
3400 International Drive
Washington, D.C. 20008

G.R. Nzala
Embassy of Zambia
2419 Massachusetts avenue, N.W.
Washington, D. C. 20008

Leonard Robinson, Jr.
Washington Strategic Group
85 15th Street, N.W.
Washington, D.C. 20005

Rev. Paul Harris
American Committee on Africa
17 John Street
New York, New York 10038

Marcia Ellis
Academy for Educational Development
1875 Connecticut Avenue
Washington, D. C. 20009

Lisbeth Thompson
AED
1875 Connecticut Avenue, N.W.
Washington, D.C. 20009

George Ayittey
Free Africa
1511 K Street, N.W., #1100
Washington, D.C. 20005

Nathaniel Massaquoi
Office of International Business
717 14th Street, N.W. #1100
Washington, D.C. 20005

France-Lise Lescot
Office of International Business
717 14th Street, N.W. #1100
Washington, D.C. 20005

Peter B. Korbich
Embassy of Ghana
3512 International Drive, N.W.
Washington, D.C. 20008

Salih Booker
Council on Foreign Relations
2400 N Street, N.W.
Washington, D.C. 20037

Tyrone Muhammad
Final Call News
236 Massachusetts Avenue, N.E.
Washington, D.C. 20002

Naomi Berry
nadara Inc.
7828 Deer Run Road #215
Glenside, Pennsylvania 19038

Pamela Richardson
Demilitarization for Democracy
2001 S Street, N.W. #630
Washington, D.C. 20009

Keisha Hargo
Office of Sen. Carol Moseley-Braun
320 Hart Senate Office Bldg.
Washington, D.C.

Barbara L. James
5017 East 21st Street
Wichita, KS 67214

El Tayd Amed
Embassy of Sudan
2210 Massachusetts Ave., N.W.
Washington, D.C. 20008

M. Aluko
Howard University
2300 6th Street
Washington, D.C. 20059

Randy Echols



Forum Three:

THE ROLE OF SCIENCE AND TECHNOLOGY IN AFRICAN INFRASTRUCTURE AND ECONOMIC DEVELOPMENT

This forum looked at the policies related to the growth of science and technology in Africa. The forum stressed that we must concern ourselves not only with science for its own sake, but how science and technology are utilized to establish an environment in which Africans can flourish. This is in line with one of CFA's goals which is to foster the growth of science and technology so that everyone can realize benefits from it. CFA links technical experts in this country and elsewhere with business, educational and political leaders in Africa to bring some technical assistance to the continent.

Keynote Speaker: **The Honorable Hazel O'Leary, U.S. Secretary of Energy**
"The Role of Science and Technology in Global Development"

In her keynote address, Secretary O'Leary stressed similar sentiments when she made the following points:

- As Africa goes, so goes the entire world community. Africa will be a good example of the success of bringing to bear the tools of technology in support of democracy. Technology means giving Africans economic power, that is actually expanding the middle class, and in the expansion of the middle class democracy solidifies.
- Science and technology will help improve African agriculture. What drives agriculture is the ability to manage the land and the environment so that it produces adequately for the population. Technology should be deployed to ensure that food stuffs and trade are available.



*Keynote speaker,
Secretary of Energy
Hazel O'Leary.*

- Science and technology should also be used to improve health conditions in Africa. This means not only transferring the technology, but also using educational technology to transmit knowledge about health prevention and health maintenance.
- Technology can also be used as an empowering tool for certain groups of people within African society. Introduction of solar technology can free women from hours of searching for firewood, time that can be spent on other income producing endeavors.
- In transferring technology, there is a need for diversity among technocrats who work for and on behalf of U.S. institutions. Just as diversity is valued in all American institutions, it should be reflected in the personnel that work with Africa as well. There are hundreds of thousands of African-Americans with the technological expertise that can be of use in Africa. Are they included in some of these technological transfer adventures?

 PANEL I: “STRATEGIC TECHNOLOGICAL OPTIONS AND CASE STUDIES IN AFRICAN DEVELOPMENT”

Moderator: *Kendall White, Applied Computer Science Group*

Panelists: *Dr. Hattie Carwell, Northern California Council of Black Professional Engineers*
Noah Samara, Founder and CEO, Worldspace
Joseph Parker, General Motors Corp.
Dr. Mabel Phifer, International Telecommunications Consortium, Inc.
George Brooks, RightTrac, Inc.

This panel discussed technological options and business opportunities in science and technology and what part people in the U.S. can play in the development of technology development in Africa. The panel also discussed the benefits of such an exercise. Panelists used their own institutions as examples of how technology is being transferred to the continent, the philosophy behind the transfer and who benefits from it. Below are summaries of their activities in Africa.

Worldspace is linking 4 billion people in the developing world through satellite infrastructure to deliver information, education and entertainment. Worldspace is a convergence technology that involves three satellite systems, one of them covering Africa and Arabia, and two others covering Asia and the Caribbean and Latin America. It is designed to replace about a billion radios that exist today but with more programming. Broadcasters will be able to take basic programming from the satellite and direct it to a new generation of radios with a potential for about 100 channels. Using this technology, a lot of entertainment and educational material can be delivered to countries of Africa where previously there was limited programming from the radio, if any. The challenge is to ensure that this new generation of radios is affordable and that the mix of program content in these 100 channels is useful to recipients.

Solar Energy Project In Ghana is designed to develop a village in Ghana where solar technology will be demonstrated and established. The intent is to make the village self-sufficient in energy needs and to use the technology to producing income. Villagers will be trained to market, manufacture and distribute solar cookers and other solar powered products not only within this particular village but to neighboring villages as well. The project, sponsored by the **Northern California Council of Black Professional Engineers**, will also train solar technicians in maintenance of the technology and products once the U.S. partners are gone.

RightTrac, Inc promotes aquaculture technology as one way of providing Africans with some of their protein needs. Aquaculture is the farming and husbandry of aquatic animals and plants. So far aquaculture is essentially a rural, secondary and part-time activity taking place in small farms. There is potential for its expansion. However, it must be recognized as a potential commercial activity by African leaders and given the necessary support mechanisms, if it is to take root. In Jamaica, for example, it has become an export industry.

International Telecommunications Consortium, is a comprehensive telecommunications organization utilizing, state-of-the-art, multiple technology applications to produce and telecast academic telecourses, in-service educational programs, training modules and other special interest teleconferences to various industries and public sector institutions. It is currently involved in a project called ARIES (African Rural Information and Education Services). The proposed project is designed to support the rapid growth of education in Africa, especially in the rural areas. The project is unique in that it is continent-wide. Each African country will be able to access the part that they want for whatever use.

General Motors Corporation has had tremendous success in car sales in Africa. It provides the African market with cars that are as technologically advanced as in the U.S. GM has realized that 'simple is not cheap' when operating a vehicle in Africa. The simply built automobile costs more to operate there. The African pays as much as the American to get an inferior built automobile. Success for GM has been related to exporting technology as superior as that provided to the American consumer.



PANEL II: "TECHNOLOGY TRANSFER AND IMPACT ON ECONOMIC DEVELOPMENT"

Moderator: **B.K. Wesley Copeland**, President,
The Foundation for Economic Development

Panelists: **Dr. Bart Nnaji**, Alcoa Foundation Professor,
College of Engineering, University of Pittsburgh

Dr. Hilary Inyang, DuPont Young Professor and Director,
*Center for Environmental Engineering and Science Technology,
University of Massachusetts-Lowell*

Peter A. Sam, Chairman, *African Environmental Consortium Group*

Dr. Iheanacho Emeruwa, MD, Executive Director,
Association for Nigerian Physicians in the Americas, Inc.

Lane Smith, Program Manager, Leland Initiative,
U.S. Agency for International Development

The panel explored ways in which African countries can effectively use technology for their economic development. The following are some of their recommendations:

- Transfer of technology can only be effective in a country if it is implemented by people of that culture, whether inside the country or in the diaspora. The primary transfer of technology to Africa must be effected by Africans or people of African descent or Africanists, wherever they may be.
- The problem of lack of skilled labor can no longer be used as an excuse for not transferring technology into the continent. There is now a cadre of trained people of African descent that can be the conduit for this technology transfer.

- Some African political systems and ideologies, which have wrought bad economic programs, are responsible for a lack of technology transfer and economic development in general. Any attempt to transfer technology to Africa has to deal with such fundamental problems.
- It is possible to build positive synergies between socio- economic development and the environment in Africa. There are opportunities for technology transfer in such areas as solid waste and hazardous waste management, and air pollution and solution equipment.



PANEL III: "STRATEGIC OPTIONS FOR FINANCING TECHNOLOGICAL DEVELOPMENT IN AFRICA."

Moderator: **John Mack**, *U.S. Department of State, Africa and Middle East Telecommunications Trade and Development Policy*

Panelists: **Mr. Nathaniel Fields**, *Senior Vice President, African Development Foundation*
Dr. O. Akin Adubifa, *Carnegie Corporation of New York*

Closing Remarks: **Mr. Charles E. Taylor**, *Coordinator, CFA Science and Technology Working Group*

The panel discussed different possible solutions for financing science and technology transfer programs. They agreed that money exists to fuel the transfer of technology but Africa gets very little of it. Possible solutions include:

- An overall strategy and framework like the NAFTA trade agreement is needed. NAFTA (North American Free Trade Agreement) was a three-year effort that put a comprehensive framework together linking every aspect of economic development (information technology, engineering, basic education in schools, etc.) into a coordinated plan under which the countries would conduct their economic relationships. Asia has the same arrangement in APEC. Groups of African countries could do the same with some of the industrialized blocks, focusing on a set of priority sectors, such as telecommunications or agriculture. CFA is being urged to take up this idea and seek Capitol Hill support for it.
- Strategic partnerships, where linkages between U.S. organizations, corporations, small businesses and African institutions are financially guaranteed, should be encouraged. Even where there are foreign aid cutbacks, partnerships will find support because they are linked to trade and investment.
- A debt for science swap was suggested as another innovative approach. Part of the national debt of an African country can be swapped and renegotiated to be converted into resources at the local currency and applied specifically to science and technology or to any such given costs. Some Latin American countries are currently experimenting with this idea.

ATTENDEES SCIENCE AND TECHNOLOGY FORUM

Alphonse Bigilimana
American Association for the
Advancement of Science
1200 New York Avenue, N.W.
Washington, D.C.

Jim Lobe
International Press Service
1293 National Press Building
Washington, D.C.

Ernest Wilson
University of Maryland

Okon Aluba
York University
2111 Jefferson Davis Highway

Aki Abubifa
Carnegie Corporation
437 Madison Avenue
New York, New York

Stephen Reszetar
Global Technology
Post Office Box 890
Severna Park, Maryland 21146

Alvin Blake
BEA
1441 L Street, N.W.
Washington, D.C.

Amy Gimbel
American Association for the
Advancement
of Science
1200 New York Avenue, N.W.
Washington, D.C.

Norman Chakanetsa
Embassy of Zimbabwe
1608 New Hampshire Avenue
Washington, D.C.

Ron Perotte
Trinity Development Corporation
8201 16th Street, #701
Silver Spring, Maryland

Kendall White
ACSG
Post Office Box 912
Lanham, Maryland 20703

Dorian Talford
ETI
1800 Newton Street, N.W.
Washington, D.C. 20010

Marlon Cohen
AME-SADA
1134 11th Street, N.W.
Washington, D.C.

Larry James
Capitol Consultants
332 Kellan Road, Suite 203
Virginia Beach, Virginia

Adean C. Utterback
Frontiers, Inc.
6204 Washington Avenue
Philadelphia, Pennsylvania 19143

Mort Neufulke
University of Maryland-Eastern Shore
Princess Anne, Maryland 21853

Peter A. Sam
African Environmental Research
and Consortium Group
9915 W. 61st
Merriam, Kansas 66203

Dominic N'Tube
The Continent: An African Newspaper
1501 Park Road, N.W., #205
Washington, D.C. 20010

Nicholas Okoye
Access America
Post Office Box 190740
Boston, Massachusetts 02119

Marie-Violaine English
Cohen & Woods
1555 Wilson Boulevard, Suite 300
Arlington, Virginia 22209

Marilyn Killingham
Republic of New Africa
1100 Sixth Street, S.W.
Washington, D.C.

Myron Briggs
230 Rhode Island Avenue, N.E., #607
Washington, D.C. 20002

Joe Parker
General Motors
1660 L Street, N.W., Suite 401
Washington, D.C. 20036

Robin L. Johnson
EDTEC
313 Market Street
Camden, New Jersey 08102

Bart Nnaji
University of Pittsburgh

Mina Veazie
1330 Irving Street, N.W.
Washington, D.C. 20010

Iheanacho Emeruwa
Executive Director
Association of Nigerian Physicians
in the Americas
3975 Jackson Street, Suite 201
Riverside, California 92503



Forum Four

DOING BUSINESS WITH AFRICA

Remarks: **Michael A. Brown**
President and CEO
Ronald H. Brown Foundation

Keynote Speaker: **Lauri J. Fitz-Pegado**, Assistant Secretary & Director General,
U.S. & Foreign Commercial Service
U.S. Department of Commerce

The following is a summary of Lauri Fitz-Pegado's keynote address at the forum on doing business with Africa:

- Africa is important to the U.S. on several levels. It is not only the ancestral home of millions of Americans, it has become home for 1.5 million first generation Africans. This first generation is a powerful force for doing business in Africa. American interests in Africa can be enhanced by working in partnership with this group.
- Africa is undergoing such unprecedented changes in its political and economic systems where a foundation for prosperity is being built. The U.S. should position itself for this opportunity. The U.S. can no longer concede Africa as an economic 'preserve' of former European colonial powers. The small investments in Africa from the U.S. must be increased. As a market Africa consistently shows higher rates of return on book value than Latin America.
- Africa is as important to U.S. trade as most other countries, as statistics show. Exports to Africa were 54% greater in 1995 than to the former Soviet states. Exports to South Africa are greater than those to Russia. \$400 million in merchandise was shipped to Africa at the same time.

*Keynote speaker,
Lauri Fitz-Pegado,
listens to introductions.*



- There is a common misconception that the U.S. concentrates on South Africa to the detriment of the rest of the continent. This not true. There is focus on South Africa because it is a regional driver. South Africa can be an engine for growth for the entire sub-Saharan region. The Commerce Department is regionalizing its activities in order to cut costs. Hubs have been created in Johannesburg, Nairobi and Cote d'Ivoire.
- The Commerce Department has 80 regional offices throughout the U.S. Those interested in doing business with Africa should contact them for assistance. They will be able to connect you with any of the hubs in Africa for more information on export opportunities in the continent. The Department also maintains offices in the World Bank, the African Development Bank and others.
- The Clinton administration has made commitments to Africa as never before in history. Cabinet level officials travel to Africa shows this commitment. The Department of Commerce has an African working group coordinating strategic approaches to doing business in Africa.



PANEL I: "OPPORTUNITIES FOR AMERICAN BUSINESSES IN AFRICA"

Moderator: Dr. Robert G. Sherman, *AMI Consultants*

Panelists: Diana Tyson, *AT&T-Telecommunications*
 Geralyn C. Graphia, *Schaffer/Serv-Tech-Agribusiness*
 Joseph Parker, *General Motors-Shipping and Transport*
 Bella I. Marshall, *Barden, Inc.-Manufacturing*
 Michael Sudarkasa, *21st Century Africa-Service Sector*
 Handsel B. Minyard, *The First South Africa Pizza Company-Franchises*
 Mira Berman, *Africa Travel Association-Tourism*

Seven companies discussed their business activities in Africa, including advice on how they think business should be conducted there. Below are their remarks:

- Corporations that go beyond the traditional ways of doing business are ones that do very well. In Africa one has to be constantly innovative in order to succeed.
- Africa has 720 million inhabitants with urgent needs in agribusiness, capital markets, energy, education and food production. This is just the beginning.
- Patience, presence and perseverance are key to doing business in Africa. Relationships are sometimes built on a personal basis. One has to be prepared for road blocks.
- The U.S. is not yet playing on a level playing field because it is relatively new there. The U.S. and private business need to get together to discuss ways of helping business people compete there.
- U.S. institutions should look for local partners in a country. Some countries require it, but it is always helpful to have someone in a country who will help walk you through the process, someone who meets with the approval of the local authorities.

- Many people who do business in Africa do so because they know that they will make money. More people need to be apprised of all the success stories. Opportunities for business include:

Service Industries, such as tourism. Africa is still on the fringe of the explosion of tourism. There are more opportunities in Francophone Africa because they are just beginning to open up to American institutions. There is also a need for a strong voice in the preservation of African culture and the environment. The tourism industry can take the lead in this.

Financial Services. There may be a shortage of capital in Africa but it is also a question of knowing where to look and developing relationships with those who have succeeded in tapping into whatever capital exists.

Legal work and Consulting services. Agencies like USAID should be used for leverage and as a way of getting into the area and the continent.

Advertising and Marketing. Opportunities exist everywhere in this area, especially in showing positive black images. Post-apartheid South Africa is a rich market for this.

Telecommunications. This area is barely touched in the continent. There are lucrative by-products in the telecommunications field.

Construction. It is better to work with a local U.S. company and then take it into Africa at a later time.

Sports and Entertainment. African-American music is very popular in Africa, as are African-American sports personalities. It is possible to tap into this market.

- Tips to make life easier while engaged in business activities in Africa:

Follow the rules and regulations carefully. Watch the fine print. Also do good while doing well. In South Africa, for example, giving opportunities to black South Africans is government policy. It also makes good business sense.

Familiarize yourself with the country's customs and ways of doing business.

Seek good advice on how to structure your company for tax purposes. This needs expertise here and in the country of concern to avoid being taxed twice. Many African countries do not have tax treaties with the U.S.

Strive to be a good corporate citizen. If possible train local citizens to do as many jobs in your institution as possible to avoid an unnecessary number of expatriates on the scene. A good human resource plan addresses the issue of transfer of technology. Knowledgeable local staff make good business sense and are the basis for further economic development.



PANEL II: "FINANCING BUSINESS VENTURES IN AFRICA"

Moderator: Jude Kearney, Partner, *LeBoeuf, Lamb, Greene and McRae*

Panelists: Walter Jones, *Overseas Private Investment Corporation*

Annmarie Emmet, *Export-Import Bank*

John Richter, Trade & Development Agency
Deputy Assistant Secretary, U.S. Dept. of Commerce

There is no one-stop shopping or clearing house in financing business ventures in Africa. Three institutions with offices in Washington, D.C. and elsewhere are a good place for further referrals.

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

**Contact person: Walter Jones, Business Development Manager,
Phone (202) 336-8654, Fax (202) 336-6700**

OPIC, established by the U.S. Congress in 1969, is a government agency whose purpose is to promote economic growth in developing countries by encouraging U.S. private investment in those nations. OPIC is structured like a private corporation and assists U.S. investors through financing investment projects through direct loans and/or loan guarantees and insuring investment projects against a broad range of political risks. All OPIC guaranty and insurance obligations are backed by the full faith and credit of the United States, as well as OPIC's own substantial financial reserves. In 1988 OPIC developed the Africa Growth Fund to provide foreign equity capital for new projects and expansions in Africa. The Fund, owned by U.S. corporate and institutional investors and managed by the Equator Bank, invests in the full range of African businesses, including manufacturing, agriculture, finance, and services industries.

EXPORT-IMPORT BANK OF THE UNITED STATES (EX-IM Bank)

**Contact person: Annmarie Emmet
Phone 1-800-565-EXIM or (202) 565-3932**

The Export-Import Bank of the United States, an independent agency of the federal government, has one mission: to help the private sector create and maintain American jobs by financing exports. In its 61 years, the bank has used loan, guarantee, and insurance programs to support over \$300 billion in exports of U.S. goods and services. EX-IM is open in 13 markets in Africa. The bank has a special focus and enhancements for small business exporters and for exporters of environmental goods and services.

The U.S. TRADE AND DEVELOPMENT AGENCY (TDA)

**Contact person: John Richter, Regional Director, Africa and Middle East.
Phone (703) 875-4357. Fax: (703) 875-4009**

The U.S. Trade and Development Agency is an independent U.S. Government agency established to promote economic development in developing countries by funding feasibility studies, consultancies, training programs and other project planning services. In Africa, TDA assists U.S. firms by identifying major development projects which offer large export potential and by funding U.S. private sector involvement in project planning. This, in turn, helps position U.S. firms for follow-on contracts when these projects are implemented. TDA also sponsors meetings everywhere within the U.S. and outside for African and U.S. individuals and institutions to share information on potential projects and other activities.



PANEL III: "THE GOOD AND BAD IN DOING BUSINESS WITH AFRICA"

Moderator: Alvin Newman, CFA/Los Angeles

**Panelists: Carolyn Jordan, Pryor, McClendon, Counts, Inc.
Robert E. Robinson, SAIVI, Inc.
Kevin Berry, Air Afrique**

In Africa as elsewhere, business is communication, customer service, demand and cultural considerations. There are lots of challenges such as limited capital, management skills, resources and technological expertise. In some cases, local bureaucracies tend to move slowly and inefficiently. Corrupt officials may

also pose financial and legal burdens. It is also expensive to do business in Africa. These obstacles are not insurmountable. They can be resolved, as panelists said, if one knows what to do and with whom, such as:

- forming appropriate strategic alliances with individuals or institutions in a host country who will help you with all the local nuances of doing business there. Good local partners, with impeccable integrity can keep you from violating local rules and U.S. tax laws;
- seeking advice, (even paying for advice) in the U.S. about a particular country or business possibility in Africa. There are several public and private institutions in the U.S. with extensive knowledge on Africa, especially the individual countries of the continent. They are a source of invaluable knowledge on what and what not to do while doing business in the continent; and
- looking out for growth areas in any African country. This is not hard since potential exists in every sector in Africa. The health sector is growing rapidly everywhere in Africa.

The panelists emphasized that in the final analysis, and despite problems, business in Africa is lucrative in a variety of sectors. The British, French, Belgians and Japanese have known this for decades.

PANEL IV: "OPPORTUNITIES AND STRATEGIES FOR INVESTING IN AFRICA"

Moderator: Donna Sims Wilson, *Graicap, Inc.*

Panelist: Ian Kawaley, *Associate, Milligan-Whyte and Smith Barristers and Attorneys*

Closing Remarks: Melvin Foote

A central theme throughout this series was that movement of capital to Africa is essential because access to capital is the key to development. U.S. public capital (foreign assistance) should take the lead in investing in Africa. Increased public capital will spur private investment, in the tradition of the Marshall plan in Europe. This panel had two suggestions on how to resolve the question of finding capital to finance investment projects in Africa:

- Graicap, Inc. an investment banking firm helps African countries finance themselves through turning over their own money within their own countries to lessen dependence on donors. Graicap has used this technique in West African countries and South Africa to finance housing development projects there.
- Kawaley stated that Bermuda should be considered as another avenue for doing business in Africa. A tax-neutral jurisdiction, with a tax treaty with the U.S. and no corporate income taxes, Bermuda can give a business registered there a higher level of profits which can then be reinvested, particularly in African infrastructure. One of the main challenges of Africa is investing in the continent's infrastructure.

ATTENDEES BUSINESS AND TRADE FORUM

Paul A. Kadjo
President & Director
World Economics & Finance
Consulting Intl.
Post Office Box 0402
Easton, Pennsylvania 18044

Robert F. Krill
Director, Corporate Relations
American Foreign Service
Association
2101 E Street, N.W.
Washington, D.C. 20037

Fatai B. Laja
President
Westmil International Company
10169 New Hampshire Avenue,
Suite 118
Silver Spring, Maryland 20903

Donna Sims Wilson
Executive Vice President
Graicap Investment Bankers
200 West Madison, Suite 3630
Chicago, Illinois 60602

Ron Travis
Together Everyone Achieves More
c/o 8787 Branch Avenue,
Suite 144
Clinton, Maryland 20735

Murray Vidockler, CTC
Chairman
Society for the Advancement of
Travel for the Handicapped
347 Fifth Avenue
New York, New York 10016

Albert J. Lucas
Partner
Mitchell & Titus, LLP
1825 K Street, N.W.
Washington, D.C. 20006

Charles E. Taylor
President, International Division
Advanced Computer Engineering
Corporation
Post Office Box 59918
Rockville, Maryland 20854-9918

John W. Milton, Esquire
John W. Milton & Associates
3100E Ritchie Road
Forestville, Maryland 20747

Clarence W. Smith
Action Communications
2300 18th Street, N.W.
Washington, D.C. 20009

Lacey O'Neal
International Consultant
4209 Blaine Street, N.E.
Washington

Diane V. Paige
Business Promotion Specialist
Office of International Business
717 14th Street, N.W., Suite 1100
Washington, D.C. 20005

Robert E. Robinson
Chairman
Trade & Investment Committee
1899 L Street, N.W., 5th Floor
Washington, D.C. 20036

Robert E. Robinson
President
SAIVI, Incorporated
1435 4th Street, S.W., Suite B-816
Washington, D.C. 20024

Antoine Perot, Jr.
President
Africa Biomass Corporation
436 Rosier Road
Ft. Washington, Maryland 20744

Will F. Johnson
Chairman
Visage Energy Corp.
6345 Green Valley Circle, #216
Culver City, California 90230

Walter C. Jones
Manager, Business Development, Africa
and the Middle East
Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, D.C. 20527

Oheneba Kawme Gyamfi
Chairman & Chief Executive Officer
Arise International, L.L.C.
5324 First Street, N.W.
Washington, D.C. 20011

Michele Jennings
Director of Business Development
Lance Bailey & Associates, Inc.
7961 Eastern Avenue
Silver Spring, Maryland 20910

Joseph Monroe Segars
Ambassador of the United States
of America

Sidiki Fadika
President
International Strategies, Inc.
1200 G Street, N.W., Suite 370
Washington, D.C. 20005

Sonja Ncumisa De Bruyn
Intern
U.S.-South Africa Business Council
1625 K Street, N.W., Suite 1090
Washington, D.C. 20006

Maurice Dawkins
Senior Associate
Symms, Lehn & Associates, Inc.
210 Cameron Street
Alexandria, Virginia 22314

Brig. Gen. Gilbert Chileshe
Defence Attaché
Embassy of the Republic of Zambia
2419 Massachusetts Avenue, N.W.
Washington, D.C. 20008

Laurel Van Horn
Africa Travel Association
635 E. 9th Street #22
New York, New York 10009

Alioune Fall
Senior Program Administrator
International Law Institute
1615 New Hampshire Avenue, N.W.
Washington, D.C. 20009

Carolyn D. Jordan
Pryor, McClendon, Counts & Co., Inc.
1350 I Street, N.W., #530
Washington, D.C. 20005

Bruce Bennett
Attorney
1300 Mercantile Lane
Landover, Maryland 20785

George Nelson
5802 Annapolis Road, #703
Bladensburg, Maryland 20710

Dr. Dominic N'tube
The Continent Newspaper
1507 Park Road, N.W., #205
Washington, D.C. 20010

Joseph W. Jackson
Vice President
SEMA, Inc.
2000 N. Beauregard Street, Suite 600
Mt. Rainier, Maryland 20712

Cassandra D. Waldon
United Nations Development
Programme
One United Nations Plaza, 19th Floor
New York, New York 10017

Dorothy Davis-Joseph
Director of Public Affairs
The African American Institute
380 Lexington Avenue at 42 Street
New York, New York 10168

Paul Kadjo
President and Director
World Economics & Finance
Consulting International
Post Office Box 0402
Easton, Pennsylvania 18044

Gaynelle Henderson-Bailey
President
Henderson Travel
900 Second Street, N.E., Suite 7
Washington, D.C. 20002

David Derryck
Rosecliff International
712 5th Avenue, 34th Floor
New York, New York

William R. Ford
President & Chief Executive Officer
African Development Foundation
1400 Eye Street, N.W.
Washington, D.C.

Troy Prince
Managing Director
O.G. Williams Capital Co., Inc.
Post Office Box 22
Purdy's, New York 10578

K. Audley Smith
Barden International
Post Office Box 4804
Windhoek, Namibia

Lindley Swanston
Center for the Study of Africa
in the Americas
Post Office Box 896
Silver Spring, Maryland 20918

Jennifer Erie
American University

Chuck Corey
USIA

Mackie McLeod
ITA/CFA
921 South Carolina Street, S.E.
Washington, D.C. 20003

A. Kevin Berry
Air Afrique Airlines
1350 Avenue of the Americas
New York, New York 10010

Karla M. Perkins
Minority Business Enterprise Legal
Defense and Education Fund, Inc.
900 2nd Street, N.E., #8
Washington, D.C. 20002

Royalty Knight
Government Affairs Manager
DuPont Merck
757 N. River Drive
Kankakee, Illinois 60901

Solomon Asamoah
Investment Officer
International Finance Corporation
1801 K Street, N.W., Room K5-181
Washington, D.C. 20433

Gustave Assin
Professional Images by "AG"
2637 16th Street, N.W.
Washington, D.C. 20009

Juliana G. Baldeh
First Secretary
Embassy of The Gambia
1155 15th Street, N.W., Suite 1000
Washington, D.C. 20005

Mira Berman
Executive Director
Africa Travel Association
347 Fifth Avenue, Suite 610
New York 10016

Ian Kawaley
Milligan-Whyte & Smith
Bermuda Commercial Bank Building
44 Church Street
Hamilton HM GX
Bermuda

Finda Koroma
Private Sector Specialist
United Nations Development Programme
One United Nations Plaza
New York, New York 10017

Vivian H. Awumey
Senior Program Officer
Partners for International
Education and Training
1990 M Street, N.W., Suite 310
Washington, D.C. 20036-3426

Stanley L. Straughter
Director
Mitchell & Titus, LLP
1825 K Street, N.W.
Washington, D.C. 20006

Mary Ann Zimmerman
Senior Associate
Datex, Inc.
7799 Leesburg Pike, Suite 1150
Falls Church, Virginia 22043-2413

Walter F. Johnson
Eagle Group
14 Westfair Court
Atlanta, Georgia 30328

Ali Alaoui
First Counsellor
Embassy of Algeria
2118 Kalorama Road, N.W.
Washington, D.C. 2008

Stafford Kay
Director of International
Exchange Programs
Phelps Stokes Fund
1420 K Street, N.W., Suite 800
Washington, D.C. 20005

Ken Koziak
Associate Director
DuPont Pharma
DuPont Merck Plaza, LR 1E36
974 Centre Road
Wilmington, Delaware 19805

Emei A. Ezidinma
President/Designer
Emis Group, Inc.
16574 E. Kansas Place
Aurora, Colorado 80017

Karen Hoffman
Senior Vice President
The Bradford Group
347 Fifth Avenue, Suite 610
New York, New York 10016

Ntutu Majija

Joe Parker
General Motors
1660 L Street, N.W., Suite 401
Washington, D.C. 20036

Bonita J. Ellison
Program Associate
Management Systems International
600 Water Street, S.W.
Washington, D.C. 20024

Diana L. Tyson
AT&T
19 School House
Somerset, New Jersey

Stephanie L. Major
AT&T
East Brunswick, New Jersey

Paul E. Rowe
1718 1/2 10th Street, N.W.
Washington, D.C. 20001

Janet Hall
Director, International
Government Affairs
Soble & Associates
815 Connecticut Avenue, N.W.,
Suite 815
Washington, D.C. 20006-4004

Jude Kearney
Leboeuf, Lamb
1875 Connecticut Avenue, N.W.
Washington, D.C. 20009

C. Lamont Gibson
Chief Executive Officer
Sao Paulo Group
861205 Terminal Annex
Los Angeles, California 90086

Felix O. Addison
Vice President/Marketing
Allied Express Services
2025 Eye Street, N.W., Suite 415
Washington, D.C. 20006

Dr. Owino Stevens

Norman M. Chakanetsa
Counsellor (Commercial)
Embassy of Zimbabwe
1608 New Hampshire Avenue, N.W.
Washington, D.C. 20009

Professor David U. Muruako
Organization of Nigerian
Professionals-USA
Rust College
Holly Springs, MS 38635

Stephen W. Reszetar
President
Global Technology Holdings, Inc.
Post Office Box 890
Severna Park, Maryland 21146

Trudy Farnum
LBA
7961 Eastern Avenue
Silver Spring, Maryland

Melna Inge
National Black Business Council
1100 Wayne Avenue, Suite 850
Silver Spring, Maryland 20910

Nicholas Okoye
Access America
Post Office Box 190740
Boston, Massachusetts 02119

Ronald J. Perrote
President
Trinity Development Corporation

Mahono Mike Nguyuza
International Business Consultant
506 Eldrid Drive
Silver Spring, Maryland 20904

Clarine Simpson-Vaughn
Business Development Consultant
DAH Consulting, Inc.
2200 Wilson Boulevard,
Suite 102-118
Arlington, Virginia 22201
Rev. Paul Harris

Coordinator
Religious Action Network
17 John Street, 12th Floor
New York, New York 10038-4010

Michael E.M. Sudarkasa
President
21st Century Africa, Inc.
818 18th Street, N.W., Suite 810
Washington, D.C. 20006

Emmanuel Botchwey
Executive Director
Regimanuel Gray Limited
7211 Regency Square Boulevard
Houston, Texas 77036

Craig A. Thompson
Chief, Investigations & Research
Minority Business Enterprise Legal
Defense and Education Fund, Inc.
900 Second Street, N.E., #8
Washington, D.C. 20002

Marie-Violaine English
Cohen & Woods International
1555 Wilson Boulevard, #300
Arlington, Virginia 22209

CBC/CFA FOREIGN AFFAIRS BRAINTRUST

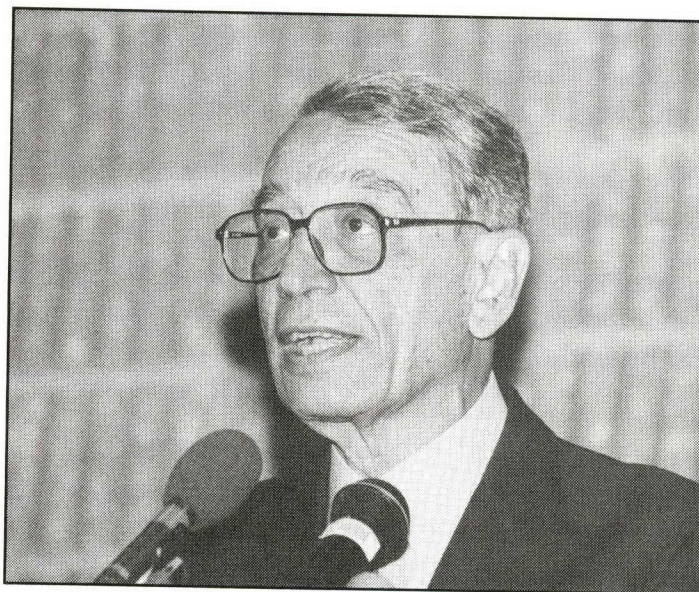
Annually, the Constituency for Africa organizes a forum on Africa in conjunction with the Congressional Black Caucus (CBC) to ensure that Africa is not left out during this high-level policy discussion and gathering. This year's event was chaired by CBC Chairman Congressman Donald M. Payne (D-NJ) and focused on "Conflict Resolution in Africa: Diplomacy in Action." Five other members of the CBC were featured and presented opening statements. Closing statements were made by C. Payne Lucas, President, Africare and Melvin P. Foote, executive director, Constituency for Africa.

At the beginning of this session, the Chairperson of the Congressional Black Caucus, Cong. Donald M. Payne presented an overview of the topic and set the stage for further discussion. He deplored the marginalization of Africa in the U.S., stating that Africa's tragedies do not receive the attention they deserve. He also questioned the lack of proactive measures on the part of the U.S.

Congressman Payne also urged strong African-American support for the United Nations, an international body in which African-Americans have been involved since its inception. He said that the African-American community was proud of Secretary General Boutros Boutros Ghali, an African and a man who has helped put African issues on the front burner of international discussion.

Keynote Address: **His Excellency Boutros Boutros Ghali**
Secretary General of the United Nations

*Secretary General of the
United Nations,
Boutros Boutros Ghali.*



Secretary-General Boutros Boutros Ghali linked the work of the United Nations in Africa directly to African and American history and interests. The U.N. is a dream and creation of the U.S. and African-Americans have played a leading role in it, from the work of Ralph Bunche to Andrew Young, Donald McHenry and others. This involvement has ensured that the U.S. remain an active participant in African problems.

On Africa, Boutros Ghali suggested four ways in which conflicts can be resolved there:

- 1.) Diplomacy - too often in Africa, military action is taken before diplomacy has even begun. But when the U.N. has engaged in diplomacy conflict has been averted or stopped. The U.S., especially the CBC, should take the lead in promoting diplomacy in Africa as an option.
- 2.) Disarmament is an essential confidence building measure in Africa. Action is needed now to stop the flow of conventional arms to Africa.

- 3.) Reinforcing regional cooperation, first between the U.N. and the Organization of African Unity (O.A.U.) is important. The O.A.U. needs to play a greater role in African conflict resolution and peacekeeping. Boutros Ghali thanked the CBC for its support, within American power circles, of O.A.U. activities.
- 4.) Peace building - combining many dimensions in a comprehensive effort. The idea is to remove the causes of conflict and solidify the achievements of peace. The CBC should continue to promote democracy and the rule of law, debt relief and innovative trade and investment policies for Africa, in the tradition of Ron Brown.

SUMMARY OF STATEMENTS MADE BY MEMBERS OF THE CONGRESSIONAL BLACK CAUCUS

Mr. Alcee L. Hastings, M.C. Mr. Victor O. Frazer, M.C. Ms. Cynthia McKinney, M.C.
 Mr. Albert Russell Wynn, M.C. Mr. Earl Hilliard, M.C.

- Africa's problems need the cooperation of the African- American community. Lack of participation has led to total neglect of the continent's problems by the U.S. A strong American constituency for Africa is essential. What happened in Liberia, for example, would not have happened in say, England, because the constituency would not have permitted it.
- An alternative to reduced aid to Africa must be found. Perhaps each member of the Congressional Black Caucus and other members of congress can adopt an African country and advocate on its behalf in American political and financial circles. Also, programs for peace, such as were put in place in Europe after World War II, can be tried in Africa with adaptations.
- Africans themselves should become more introspective and strive to resolve a lot of their problems among themselves. In the final analysis they are responsible.
- A U.S. led integrated development program for Africa is imperative. Africa's market for U.S. goods is directly related to job creation here at home. U.S. economic interests in Africa are just as crucial as anywhere else in the world.



PANEL I: US/UN INTERVENTION IN LIBERIA

Ellen Johnson Sirleaf

Assistant Administrator/Director, Bureau for Africa
 United Nations Development Programme

Salih Booker

Council on Foreign Relations

Herman J. Cohen

Ambassador
 Senior Advisor, Global Coalition for Africa

Panelists agreed that Liberia was a special case for the U.S. because of the historical ties between the two countries. During the cold war Liberia never failed the U.S. A debt of gratitude is owed Liberia by this country. Thus it is imperative that the U.S. take a leading role in resolving the civil war currently raging in the country.

Ellen Johnson Sirleaf, Assistant Administrator and Director of the Bureau for Africa of the United Nations Development Programme emphasized three points in this discussion:

- 1.) that the senseless war in Liberia is not one of politics or ethnicity but a commercial war by those who seek the resources of the country.
- 2.) that the Liberian situation may actually be aided by 'a sea change' in African political circles, where governments are now willing to have intervention forces to resolve conflicts in African countries, something that was taboo just a few years back. This helps mediators negotiate firm agreements with the antagonists in the conflict because agreed upon plans will have the force of intervention behind them.
- 3.) that the U.S. should exercise strong leadership, finding a solution to the Liberian problem because only a firm U.S. position will lead others to follow agreed upon plans. U.N. backed intervention forces need the power of the U.S. behind them to be effective.

Ellen Johnson Sirleaf's remarks also are reflected in the following suggested solutions to the Liberian civil war presented by other panelists:

- *support disarmament of the combatants*; the 60,000 armed children should then be reintroduced into civil society through education and training, once they have been disarmed.
- *pressure the warlords in Liberia to commit to the peace plan (ECOMOG) which includes democracy and free elections.*
- *insist that disarmament precede any elections to be held and that the U.N. be in charge of the elections there.*
- *establish a special fund for Liberian reconstruction after the civil war; the CBC should take the lead on this.*
- *exercise strong leadership on the part of the U.S. including U.N. military operations inside the country if the warlords do not adhere to agreed upon plans.*
- *ensure that the U.N. has strong U.S. backing if military intervention is contemplated in Liberia.*

PANEL II: GENOCIDE IN RWANDA/BURUNDI

Alison DesForges

Consultant

Human Rights Watch-Africa

Jeff Drumtra

Africa Policy Analyst

U.S. Committee for Refugees

The Honorable Howard Wolpe

U.S. Special Envoy for Burundi

Again, the U.S. must play a major role in both Rwanda and Burundi, in conjunction with regional initiatives. People in that part of the world listen to what the U.S. is saying and are always looking for American reaction to what they do. Strong statements by U.S. officials, especially the enforcement of all international conventions regarding genocide and other human rights violations may deter the antagonistic parties from carrying out their plans.

In Rwanda, funding is essential for the tribunal prosecuting acts of genocide. Without this funding it looks like the world is not serious about that tragedy. Human rights monitors are also needed to ensure that human rights there are not violated by the current rulers.

In Burundi, the U.S. and Europe must coordinate their activities with the efforts currently being taken by regional governments in East Africa. A world speaking with one voice will force the government there to negotiate with its opponents, rather than engage in ethnic cleansing. Sanctions imposed by other African countries against Burundi should be supported. There is also a need for contingency planning if massive violence erupts there. The long-term goal in Burundi is for the parties in that conflict to embrace the concept of power sharing and protection of minority rights. The U.S. should be working towards that.



PANEL III: TRADE AND HUMAN RIGHTS IN NIGERIA

Chief Anthony Enahoro
NADECO

Vivian Lowery Derryck
Senior Advisor
African Leadership Forum
and International Policy Advisor
Academy for Educational Development

Administration Response

Ms. Susan E. Rice
Special Assistant to the President
and Senior Director for African Affairs
National Security Council

Discussion of Nigeria centered on whether or not sanctions should be imposed on the current government because of human rights violations and lack of democracy. Panelists agreed that Nigeria has failed the democracy test on all measures. Panelists also agreed that support for organizations promoting a civil society should be intensified. The issue was how to get the rulers of Nigeria to begin the democratization process, and two options were proposed:

- 1.) existing sanctions against Nigeria should be maintained with threats of stronger sanctions to follow if there is no significant progress towards democracy in the next two years, a time frame the Nigerian government has set for itself. This is the 'combination of sanctions and talking approach'. The U.S. should negotiate but with benchmarks under which the Nigerian government will be judged, failure of which would result in more punitive sanctions, including an oil embargo.
- 2.) the U.S. should pursue selective engagement as opposed to sanctions. While maintaining the threat of sanctions, the U.S. should pressure Nigeria to move towards resolution of the problem, with tangible carrots from the U.S. if they actually move towards democratization. More punitive measures will stiffen the resolve of the government leading to more repressive measures.

CONCLUSION

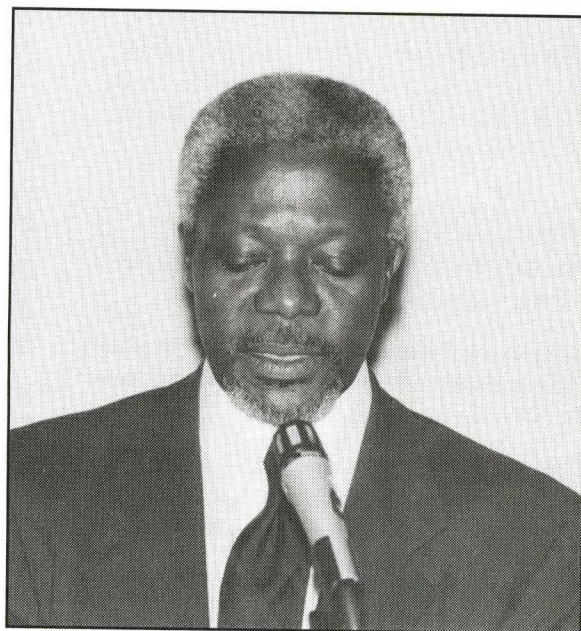
The Ronald H. Brown African Affairs Series concluded with a luncheon where the Constituent of the Year Award was posthumously presented to the late Secretary. The keynote speaker at the luncheon was U.N. Under-Secretary-General for Peace-keeping Operations Kofi A. Annan, who in his remarks stressed that there were five crucial lessons that have been learned in coping with conflict in Africa:

- rapid deployment of troops to a crisis situation to establish a credible presence before a conflict explodes,
- regional cooperation and sub-regional initiatives in which neighboring states in an area with a crisis band together and act decisively to quell a potential conflict,
- offering positive incentives, such as development assistance and demobilization programs so that parties in conflict see genuine benefits to a settlement of a conflict,
- acquiring an in-depth understanding of a potential or actual conflict and then responding appropriately and effectively, based on solid political analysis and formulation of clear mandates from the parties concerned,
- acquiring a strong and sustained political will by international organizations like the U.N. and the O.A.U. to face the challenges of a conflict until final resolution.

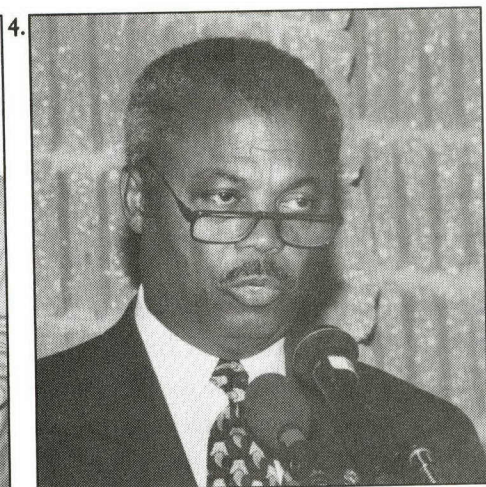
Ambassador Annan said that these five lessons were ones which Secretary Brown understood well. Annan said that like President Nelson Mandela of South Africa, Secretary Brown understood that in the history of nations, generations have made their mark through their acumen in appreciating critical points and, with determination and creativity, seizing the moment, as he did in promoting economic and trade ties with Africa and helping resolving its conflicts. The most fitting tribute that can be made to Ronald Brown would be to seize the moment and take that opportunity.



Michael Brown (c) accepts Constituent of the Year Award from Melvin Foote, while Congressman Donald Payne (D-NJ) and Vivian Derryck applaud.



Keynote speaker, United Nations Under-Secretary-General for Peace-keeping Operations Kofi A. Annan.



(1.) Africare President **C. Payne Lucas** talks with **Ellen Johnson Sirleaf**, UNDP.

(2.) "Doing Business with Africa" panelists (l to r) **Joe Parker**, General Motors; **Bella Marshall**, Barden International; and **Michael Sudarkasa**, 21st Century Africa, Inc.

(3.) **Rosetta Gainey** president of R.G. Gainey & Associates Tours, Inc. poses with **Michael Brown** who receives Senegalese sand painting at the Award Luncheon.

(4.) **Congressman Donald Payne** (D-NJ) presenting opening remarks at the Congressional Black Caucus Braintrust on Foreign Affairs.

(5.) **Chuck Taylor**, coordinator for CFA Science and Technology Working Group, with **Secretary O'Leary** and CFA Executive Director **Melvin P. Foote**.

(6.) Keynote speakers **Amb. Moose** (1st left) and **Sen. Moseley-Braun** (center) pose with **Amb. Ibrahima Sy** of the OAU (2nd left), **Melvin Foote**, **Vivian Derryck** and **Mrs. Sirleaf**, following the human rights and democracy forum.

(7.) **Melvin Foote** greets **Walter Sisulu**, ANC.



Constituent of the Year Award

Committee Members

Honorary Chair

Mrs. Ellen Johnson Sirleaf
Assistant Administrator and Director
Regional Bureau for Africa
United Nations Development Programme

Ambassador Herman J. Cohen
Senior Advisor
Global Coalition for Africa

Ambassador Ruth Davis
Assistant Secretary for Consular Affairs
Department of State

Mr. Jerry Drew
Vice President, Washington Office
African American Institute

Ms. Lauri Fitz-Pegado
Assistant Secretary and Director General
U.S. and Foreign Commercial Service
U.S. Department of Commerce

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Chairman and President
National Council of Negro Women

Mrs. Jacqueline Jackson
Educator and Activist

Ms. Texiera Nash
Public Affairs Officer
African Development Foundation

Congressman Donald Payne
(D-New Jersey)

His Excellency Ekwow Spio-Garbrah
Ambassador, Embassy of Ghana

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Africare

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University of Maryland

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Mr. Don Barden
The Barden Companies, Inc.

Ambassador Herman Cohen
The Global Coalition for Africa

Ambassador Ibrahima Sy
Organization of African Unity

Constituency for Africa

Staff:

Mr. Melvin P. Foote
Executive Director

Ms. Gladys Lee
Director of Development

Ms. Dorothy Baker McCalla
Program Manager

Working Group Coordinators:

Human Rights and Democracy

Mr. Gregory Simpkins

Mr. Learned Dees

Culture

Ms. Eurica Huggins

Dr. Audrey Ware

Science & Technology

Mr. Charles Taylor

Business and Trade

Mr. Melvin P. Foote

Volunteers:

Mr. Mathew Bonner Mr. Handel Mlilo Mr. Mackey McCloed
Mr. Doug Eisenberg Ms. Wanda Marshall
Ms. Morrissa Young



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1629 K Street, N.W. • Suite 1010 • Washington, D.C. 20006
(202) 371-0588 • Fax (202) 371-9017

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